



Thaba Chweu Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2014  
Auditor General of South Africa

Audited  
By

2014 -II- 30

Auditor General South Africa  
Mpumalanga Business Unit

## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### **General Information**

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#### **Mayoral committee**

Executive Mayor

BW Ncengwane

Councillors

MT Mashego

AK Maphala

JB Nkosi

SA Manzini

M Mahlangu

N Janse Van Vuuren

J Lekhuleni

SE Motobela

IT Mokoena

Q Lawrence

NM Masimota

J Mkhize

JM Koch

F Essack

VS Magagula

RP Matatyi

MC Masileta

PP Chima

S Mashigo

NS Sambo

M Phoku

MM Mohlata

PM Mashego

AB Rabie

JA Maolele

JH Ligethem

#### **Grading of local authority**

Low capacity

#### **Accounting Officer**

JM Mnisi

#### **Acting Chief Finance Officer**

G Mnisi

#### **Registered office**

Lydenburg

Mpumalanga

South Africa

1120

#### **Business address**

Corner Viljoen & Sentraal Street

Lydenburg

Mpumalanga

1120

#### **Postal address**

P.O Box 61

Lydenburg

1120

#### **Bankers**

Standard Bank of South Africa

#### **Auditors**

Auditor General of South Africa

## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

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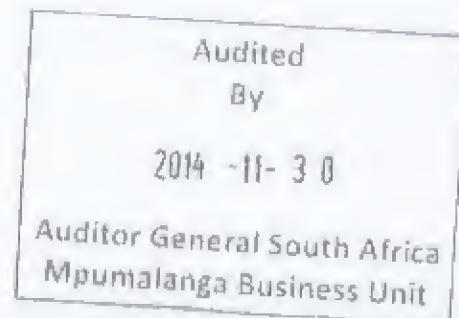
The reports and statements set out below comprise the annual financial statements presented to the council:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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# **Thaba Chweu Local Municipality**

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### **Acronyms**

|       |   |
|-------|---|
| COID  | Compensation for Occupational Injuries and Diseases |
| IAS   | International Accounting Standards                  |
| DBSA  | Development Bank of South Africa                    |
| IPSAS | International Public Sector Accounting Standards    |
| GRAP  | Generally Recognised Accounting Practice            |
| PPE   | Property Plant and Equipment                        |
| DBSA  | Development Bank of South Africa                    |
| INEP  | Integrated National Electrification Program         |
| FMG   | Financial Management Grant                          |
| MSIG  | Municipal Systems Improvement Grant                 |
| ME's  | Municipal Entities                                  |
| MEC   | Member of the Executive Council                     |
| MFMA  | Municipal Finance Management Act                    |
| MIG   | Municipal Infrastructure Grant (Previously CIMP)    |
| PAYE  | Pay As You Earn                                     |
| VAT   | Value Added Tax                                     |
| UIF   | Unemployment Insurance Fund                         |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any Interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

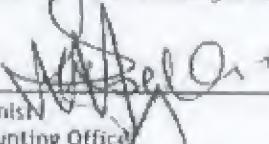
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the national government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 10.

The annual financial statements set out on pages 10 to 79, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

  
JM Mnis N  
Accounting Officer

|                              |
|------------------------------|
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| By                           |
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| Mpumalanga Business Unit     |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Statement of Financial Position as at 30 June 2014

| Figures in Rand                            | Notes) | 2014                 | 2013<br>Restated*    |
|--|--------|----------------------|----------------------|
| <b>ASSETS</b>                              |        |                      |                      |
| <b>Current Assets</b>                      |        |                      |                      |
| Inventories                                | 7      | 3,800,085            | 3,512,942            |
| Receivables from Non-Exchange Transactions | 8      | 32,552,793           | 21,731,342           |
| VAT receivable                             | 9      | 9,580,079            | 2,915,245            |
| Receivables from Exchange Transactions     | 10     | 68,764,588           | 79,637,026           |
| Cash and Cash Equivalents                  | 11     | 4,684,696            | 1,142,080            |
|  |        | <b>119,582,841</b>   | <b>108,938,635</b>   |
| <b>Non-Current Assets</b>                  |        |                      |                      |
| Investment Property                        | 3      | 490,330,111          | 368,881,434          |
| Property, Plant and Equipment              | 4      | 891,552,708          | 863,419,323          |
| Intangible Assets                          | 5      | 45,717               | 95,330               |
| Long Term Investments                      | 6      | 1,596,051            | 10,163,373           |
|  |        | <b>1,383,524,587</b> | <b>1,242,559,460</b> |
| <b>Total Assets</b>                        |        | <b>1,503,107,428</b> | <b>1,351,498,095</b> |
| <b>LIABILITIES</b>                         |        |                      |                      |
| <b>Current Liabilities</b>                 |        |                      |                      |
| Payables from Exchange Transactions        | 15     | 345,314,020          | 254,774,773          |
| Consumer Deposits                          | 16     | 4,309,157            | 3,859,659            |
| Employee Benefit Obligation                |        | 25,855,745           | 71,333,959           |
| Unspent Conditional Grants and Receipts    | 13     | 2,868,002            | 12,356,454           |
| Provisions                                 | 14     | 16,189,956           | 13,916,080           |
| Current Portion of Borrowings              |        | -                    | 575,190              |
| Bank Overdraft                             | 11     | -                    | 167,779              |
|  |        | <b>394,536,883</b>   | <b>307,013,844</b>   |
| <b>Non-Current Liabilities</b>             |        |                      |                      |
| Long Term Loan                             |        | -                    | 8,599,791            |
| <b>Total Liabilities</b>                   |        | <b>394,536,883</b>   | <b>315,613,635</b>   |
| <b>Net Assets</b>                          |        | <b>1,108,570,545</b> | <b>1,035,884,460</b> |
| <b>Accumulated (Deficit) / Surplus</b>     |        | <b>1,108,570,545</b> | <b>1,035,884,460</b> |

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\* See Note 38

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### Statement of Financial Performance for the year ended 30 June 2014

| Figures in Rand                                     | Note(s) | 2014                 | 2013<br>Restated*    |
|---|---------|----------------------|----------------------|
| <b>REVENUE</b>                                      |         |                      |                      |
| Revenue from exchange transactions                  |         |                      |                      |
| Service charges                                     | 19      | 158,071,420          | 139,749,706          |
| Rental of facilities and equipment                  |         | 2,208,802            | 489,546              |
| Income from agency services                         | 17      | 26,491,672           | 19,380,439           |
| Other income  | 21      | 15,331,506           | 11,657,631           |
| Interest received - investment                      |         | 1,111,928            | 650,094              |
| <b>Total revenue from exchange transactions</b>     |         | <b>203,215,328</b>   | <b>171,927,416</b>   |
| Revenue from non-exchange transactions              |         |                      |                      |
| Taxation revenue                                    |         |                      |                      |
| Property rates                                      | 18      | 34,081,703           | 30,293,463           |
| Transfer revenue                                    |         |                      |                      |
| Government grants & subsidies                       | 20      | 133,602,558          | 103,472,869          |
| Fines   |         | 799,773              | 1,035,325            |
| <b>Total revenue from non-exchange transactions</b> |         | <b>168,484,034</b>   | <b>134,801,657</b>   |
| <b>Total revenue</b>                                | 17      | <b>371,699,362</b>   | <b>306,729,073</b>   |
| <b>EXPENDITURE</b>                                  |         |                      |                      |
| Employee Related Costs                              | 23      | (109,417,840)        | (98,564,150)         |
| Remuneration of Councillors                         | 24      | (7,428,187)          | (8,589,269)          |
| Depreciation and Amortisation                       | 28      | (33,077,486)         | (31,706,943)         |
| Impairment loss/ Reversal of impairments            |         | (1,540,229)          | (1,988,333)          |
| Finance Costs                                       | 29      | (23,681,158)         | (12,099,094)         |
| Debt impairment                                     | 25      | (28,147,172)         | -                    |
| Repairs and Maintenance                             |         | (19,773,196)         | (20,626,678)         |
| Bulk Purchases                                      | 33      | (115,401,687)        | (109,214,732)        |
| Contracted Services                                 | 32      | (48,324,536)         | (79,397,691)         |
| General Expenses                                    | 22      | (60,977,910)         | (72,461,112)         |
| <b>Total Expenditure</b>                            |         | <b>(437,769,401)</b> | <b>(434,648,002)</b> |
| <b>Operating deficit</b>                            |         | <b>(66,070,039)</b>  | <b>(27,918,929)</b>  |
| Fair value adjustments                              | 27      | 147,470,477          | (36,987,800)         |
| <b>Surplus (deficit) for the year</b>               |         | <b>81,400,438</b>    | <b>(164,906,729)</b> |

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\* See Note 38

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Statement of Changes in Net Assets

| Figures in Rand                        | Revaluation reserve | Accumulated (Deficit) / Surplus | Total net assets |
|--|---------------------|---------------------------------|------------------|
| Opening balance as previously reported | 1,001,893,687       | (10,049,592)                    | 991,844,095      |
| Adjustments                            |                     |                                 |                  |
| Prior period errors - Note 40          | (1,001,893,687)     | 1,210,840,781                   | 208,947,094      |
| Balance at 01 July 2012 as restated*   |                     | -1,200,791,189                  | 1,200,791,189    |
| Changes in net assets                  |                     |                                 |                  |
| Deficit for the year                   |                     | - (164,906,729)                 | (164,906,729)    |
| Total changes                          |                     | (164,906,729)                   | (164,906,729)    |
| Restated* Balance at 01 July 2013      |                     | -1,027,170,107                  | 1,027,170,107    |
| Changes in net assets                  |                     |                                 |                  |
| Surplus for the year                   |                     | - 81,400,438                    | 81,400,438       |
| Total changes                          |                     | - 81,400,438                    | 81,400,438       |
| Balance at 30 June 2014                |                     | -1,108,570,545                  | 1,108,570,545    |

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\* See Note 38

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Cashflow Statement

Figures in Rand

|   | Note(s) | 2014                | 2013<br>Restated*   |
|---|---------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |         |                     |                     |
| <b>RECEIPTS</b>   |         |                     |                     |
| Value Added Tax   |         | 6,664,834           | 1,075,639           |
| Sale of goods   |         | 117,839,248         | 78,129,115          |
| Grants  |         | 133,602,558         | 103,472,869         |
| Interest Income   |         | 1,111,928           | 650,094             |
| Rendering of Services                                       |         | 34,081,703          | 30,293,463          |
| Fines   |         | 799,773             | 1,035,325           |
|   |         | 294,100,044         | 214,656,505         |
| <b>PAYMENTS</b>   |         |                     |                     |
| Employee costs  |         | (116,846,027)       | (107,153,419)       |
| Suppliers   |         | (97,232,096)        | (55,165,962)        |
| Finance Costs   |         | (23,681,158)        | (12,099,094)        |
|   |         | (237,759,281)       | (174,418,475)       |
| <b>Net cash flows from operating activities</b>             | 34      | <b>56,340,763</b>   | <b>40,238,030</b>   |
| <b>Cash flows from investing activities</b>                 |         |                     |                     |
| Purchase of property, plant and equipment                   | 4       | (51,822,759)        | (32,116,970)        |
| Purchase of other intangible assets                         | 5       | -                   | (198,930)           |
| Proceeds from sale of financial assets                      |         | 8,567,322           | (802,103)           |
| <b>Net cash flows from investing activities</b>             |         | <b>(43,255,437)</b> | <b>(33,118,003)</b> |
| <b>Cash flows from financing activities</b>                 |         |                     |                     |
| Repayment of non current borrowings                         |         | -                   | (507,495)           |
| Movement in other liability                                 |         | (9,174,981)         | 1,273,480           |
| <b>Net cash flows from financing activities</b>             |         | <b>(9,174,981)</b>  | <b>765,985</b>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>3,910,345</b>    | <b>7,886,012</b>    |
| Cash and cash equivalents at the beginning of the year      |         | 974,351             | (6,911,661)         |
| <b>Cash and cash equivalents at the end of the year</b>     | 11      | <b>4,884,696</b>    | <b>974,351</b>      |

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\* See Note 38

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

| Figures in Rand  | Approved budget      | Adjustments (i.t.o s28 & s31 of the MFMA) | Final Budget         | Actual amounts       | Variance            | Reference  |
|--|----------------------|---|----------------------|----------------------|---------------------|------------|
| <b>Statement of Financial Performance</b>  |                      |   |                      |                      |                     |            |
| <b>Revenue</b>   |                      |   |                      |                      |                     |            |
| Revenue from exchange transactions   |                      |   |                      |                      |                     |            |
| Service charges  | 143,966,000          | 14,324,226                                | 158,290,226          | 158,071,420          | (218,806)           |            |
| Rental of facilities and equipment   | 150,237              | 2,392,780                                 | 2,543,017            | 2,208,802            | (334,215)           |            |
| Income from agency services  | 6,000,000            | 17,744,369                                | 23,244,369           | 26,491,672           | 3,247,303           | Note 44.1  |
| Other income   | 1,815,604            | (206,112)                                 | 1,609,492            | 15,331,506           | 13,722,014          | Note 44.2  |
| Interest received - investment   | 3,892,421            | 3,371,344                                 | 7,263,765            | 1,111,928            | (6,151,837)         | Note 44.2  |
| <b>Total revenue from exchange transactions</b>  | <b>155,824,262</b>   | <b>37,126,607</b>                         | <b>192,950,869</b>   | <b>203,215,328</b>   | <b>10,264,459</b>   |            |
| Revenue from non-exchange transactions   |                      |   |                      |                      |                     |            |
| Taxation revenue   |                      |   |                      |                      |                     |            |
| Property rates   | 42,739,598           | (657,424)                                 | 42,082,174           | 34,081,703           | (8,000,471)         |            |
| Government grants & subsidies  | 142,928,000          | (5,855,388)                               | 137,072,612          | 133,602,558          | (3,470,054)         |            |
| Transfer revenue   |                      |   |                      |                      |                     |            |
| Fines  | 1,648,439            | 93,997                                    | 1,742,436            | 799,773              | (942,663)           | Note 44.3  |
| <b>Total revenue from non-exchange transactions</b>  | <b>187,316,037</b>   | <b>(6,418,815)</b>                        | <b>180,897,222</b>   | <b>168,484,034</b>   | <b>(12,413,188)</b> |            |
| <b>Total revenue</b>   | <b>343,140,299</b>   | <b>30,707,792</b>                         | <b>373,848,091</b>   | <b>371,699,362</b>   | <b>(2,148,729)</b>  |            |
| <b>Expenditure</b>   |                      |   |                      |                      |                     |            |
| Personnel  | (103,282,194)        | 4,562,752                                 | (98,719,442)         | (109,417,840)        | (10,698,398)        | Note 44.4  |
| Remuneration of councillors  | (8,203,729)          | 542,829                                   | (7,660,900)          | (7,428,187)          | 232,713             |            |
| Depreciation and amortisation  | (18,236,991)         | (25,950,181)                              | (44,187,172)         | (33,077,486)         | 11,109,686          | Note 44.5  |
| Impairment loss  | -                    | -   | -                    | (1,540,229)          | (1,540,229)         |            |
| Finance costs  | (2,640,000)          | 1,075,866                                 | (1,564,134)          | (23,681,158)         | (22,117,024)        | Note 44.6  |
| Debt impairment  | (3,094,980)          | (9,836,650)                               | (12,931,630)         | (28,147,172)         | (15,215,542)        | Note 44.7  |
| Repairs and maintenance  | (9,968,264)          | (5,147,732)                               | (15,115,996)         | (9,773,196)          | 5,342,800           | Note 44.8  |
| Bulk purchases   | (100,937,839)        | (135,062,161)                             | (236,000,000)        | (115,401,687)        | 120,598,313         | Note 44.9  |
| Contracted Services  | (32,768,579)         | 166,179                                   | (32,602,400)         | (48,324,536)         | (15,722,136)        | Note 44.10 |
| General Expenses   | (29,601,454)         | (37,056,346)                              | (66,657,800)         | (60,977,910)         | 5,679,890           | Note 44.11 |
| <b>Total expenditure</b>   | <b>(308,734,030)</b> | <b>(206,705,444)</b>                      | <b>(515,439,474)</b> | <b>(437,769,401)</b> | <b>77,670,073</b>   |            |
| <b>Operating deficit</b>   | <b>34,406,269</b>    | <b>(175,997,652)</b>                      | <b>(141,591,383)</b> | <b>(66,070,039)</b>  | <b>75,521,344</b>   |            |
| <b>Fair value adjustments</b>  | -                    | -   | -                    | 147,470,477          | 147,470,477         | Note 44.12 |
| <b>Surplus before taxation</b>   | <b>34,406,269</b>    | <b>(175,997,652)</b>                      | <b>(141,591,383)</b> | <b>81,400,438</b>    | <b>222,991,821</b>  |            |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>34,406,269</b>    | <b>(175,997,652)</b>                      | <b>(141,591,383)</b> | <b>81,400,438</b>    | <b>222,991,821</b>  |            |

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# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

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Nipumbalanga Business Unit

## Budget on Accrual Basis

| Figures in Rand  | Approved budget | Adjustments (i.t.o s28 & s31 of the MFMA) | Final Budget  | Actual amounts       | Variances     | Reference |
|--|-----------------|---|---------------|----------------------|---------------|-----------|
| <b>Statement of Financial Position</b>                         |                 |   |               |                      |               |           |
| <b>ASSETS</b>  |                 |   |               |                      |               |           |
| <b>Current Assets</b>  |                 |   |               |                      |               |           |
| Inventories  | 4,502,000       | -   | 4,502,000     | 3,800,685            | (701,315)     |           |
| Receivables from Non-Exchange Transactions                     | 38,401,000      | -   | 38,401,000    | 32,552,793           | (5,848,207)   |           |
| VAT receivable   | -               | -   | -             | 9,580,079            | 9,580,079     |           |
| Consumer debtors   | 26,060,000      | -   | 26,060,000    | 68,764,588           | 42,704,588    |           |
| Cash and Cash Equivalents                                      | 26,834,000      | -   | 26,834,000    | 4,884,696            | (21,949,304)  |           |
|  | 95,797,000      | -   | 95,797,000    | 119,582,841          | 23,785,841    |           |
| <b>Non-Current Assets</b>                                      |                 |   |               |                      |               |           |
| Investment Property  | 149,388,000     | -   | 149,388,000   | 490,330,111          | 340,942,111   |           |
| Property, Plant and Equipment                                  | 954,787,000     | -   | 954,787,000   | 891,551,275          | (63,235,725)  |           |
| Intangible Assets  | -               | -   | -             | 45,717               | 45,717        |           |
| Long Term Investments  | 9,361,000       | -   | 9,361,000     | 1,596,051            | (7,764,949)   |           |
|  | 1,113,536,000   | -   | 1,113,536,000 | 1,383,523,154        | 269,987,154   |           |
| <b>Total Assets</b>  | 1,209,333,000   | -   | 1,209,333,000 | 1,503,105,995        | 293,772,995   |           |
| <b>LIABILITIES</b>   |                 |   |               |                      |               |           |
| <b>Current Liabilities</b>                                     |                 |   |               |                      |               |           |
| Payables from Exchange Transactions                            | 261,347,000     | -   | 261,347,000   | 345,314,027          | 83,967,027    |           |
| Consumer deposits  | 3,881,000       | -   | 3,881,000     | 4,309,157            | 428,157       |           |
| Employee Benefit Obligation                                    | -               | -   | -             | 25,855,745           | 25,855,745    |           |
| Unspent Conditional Grants and Receipts                        | -               | -   | -             | 2,868,002            | 2,868,002     |           |
| Provisions   | 13,297,000      | -   | 13,297,000    | 16,189,956           | 2,892,956     |           |
|  | 278,525,000     | -   | 278,525,000   | 394,536,887          | 116,011,887   |           |
| <b>Non-Current Liabilities</b>                                 |                 |   |               |                      |               |           |
| Non Current Borrowings   | 8,754,000       | -   | 8,754,000     | -                    | (8,754,000)   |           |
| Provisions   | 1,206,000       | -   | 1,206,000     | -                    | (1,206,000)   |           |
|  | 9,960,000       | -   | 9,960,000     | -                    | (9,960,000)   |           |
| <b>Total Liabilities</b>                                       | 288,485,000     | -   | 288,485,000   | 394,536,887          | 106,051,887   |           |
| <b>Net Assets</b>  | 920,848,000     | -   | 920,848,000   | 1,108,569,108        | 187,721,108   |           |
| <b>Net Assets</b>  |                 |   |               |                      |               |           |
| <b>Net Assets Attributable to Owners of Controlling Entity</b> |                 |   |               |                      |               |           |
| <b>Reserves</b>  |                 |   |               |                      |               |           |
| Revaluation reserve  | 1,001,820,000   | -   | 1,001,820,000 | (1,433),001,821,433) |               |           |
| Accumulated (Deficit) / Surplus                                | (80,972,000)    | -   | (80,972,000)  | 1,108,570,541        | 1,189,542,541 |           |
| <b>Total Net Assets</b>  | 920,848,000     | -   | 920,848,000   | 1,108,569,108        | 187,721,108   |           |

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand   | Approved budget      | Adjustments<br>(i.e. s28 & s31<br>of the MFMA) | Final Budget         | Actual amounts       | Variance            | Reference |
|---|----------------------|--|----------------------|----------------------|---------------------|-----------|
| <b>Cash Flow Statement</b>                                  |                      |  |                      |                      |                     |           |
| <b>Cash flows from operating activities</b>                 |                      |  |                      |                      |                     |           |
| <b>Receipts</b>   |                      |  |                      |                      |                     |           |
| Sale of goods and services                                  | 148,594,000          | -  | 148,594,000          | 159,385,558          | 10,791,558          |           |
| Grants  | 74,643,000           | -  | 74,643,000           | 133,602,558          | 58,959,558          |           |
| Interest Income   | 1,810,000            | -  | 1,810,000            | 1,111,928            | (698,072)           |           |
|   | <b>225,047,000</b>   | -  | <b>225,047,000</b>   | <b>294,100,044</b>   | <b>69,053,044</b>   |           |
| <b>Payments</b>   |                      |  |                      |                      |                     |           |
| Supplier and employee costs                                 | (175,821,000)        | -  | (175,821,000)        | (214,078,122)        | (38,257,122)        |           |
| Finance Costs   | (904,000)            | -  | (904,000)            | (23,681,158)         | (22,777,158)        |           |
|   | <b>(176,725,000)</b> | -  | <b>(176,725,000)</b> | <b>(237,759,280)</b> | <b>(61,034,280)</b> |           |
| <b>Net cash flows from operating activities</b>             | <b>48,322,000</b>    | -  | <b>48,322,000</b>    | <b>56,340,764</b>    | <b>8,018,764</b>    |           |
| <b>Cash flows from investing activities</b>                 |                      |  |                      |                      |                     |           |
| Purchase of property, plant and equipment                   | (20,069,000)         | -  | (20,069,000)         | (51,822,759)         | (31,753,759)        |           |
| Proceeds from sale of property, plant and equipment         | -                    | -  | -                    | 8,567,322            | 8,567,322           |           |
| <b>Net cash flows from investing activities</b>             | <b>(20,069,000)</b>  | -  | <b>(20,069,000)</b>  | <b>(43,255,437)</b>  | <b>(23,186,437)</b> |           |
| <b>Cash flows from financing activities</b>                 |                      |  |                      |                      |                     |           |
| Movement in other liability                                 | -                    | -  | -                    | (9,174,981)          | (9,174,981)         |           |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>28,253,000</b>    | -  | <b>28,253,000</b>    | <b>3,910,346</b>     | <b>(24,342,654)</b> |           |
| Cash and cash equivalents at the beginning of the year      | (1,912,000)          | -  | (1,912,000)          | 974,351              | 2,886,351           |           |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>26,341,000</b>    | -  | <b>26,341,000</b>    | <b>4,884,697</b>     | <b>(21,456,303)</b> |           |

Audited

By

2014 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit

## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

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#### **1. Basis of accounting**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the Historical Cost Convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All values have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.1 Consolidation

#### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the municipality presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on financial instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the municipality are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

# Thaba Chweu Local Municipality

(Registration number MP371)

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

### 1.3 Investment Property

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Investment Property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment Property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment Property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

### 1.3 Investment Property (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### 1.4 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the

production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the

assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                   | Average useful life |
|------------------------|---------------------|
| Land                   | Indefinite          |
| Buildings              | 5 - 30 years        |
| Furniture and fixtures | 5 - 15 years        |
| Motor vehicles         | 4 - 20 years        |
| Office equipment       | 5 - 15 years        |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

### 1.4 Property, Plant and Equipment (continued)

|                       |               |
|-----------------------|---------------|
| Computer equipment    | 5 - 15 years  |
| Infrastructure assets | 3 - 100 years |
| Community assets      | 5 - 30 years  |
| Investment property   | Indefinite    |
| Heritage              | Indefinite    |

### 1.5 Intangible Assets

- An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- the municipality intends to complete the intangible asset for use or sale;
  - it is technically feasible to complete the intangible asset;
  - the municipality has the resources to complete the project; and
  - it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

#### Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

# Thaba Chweu Local Municipality

(Registration number NP321)

Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

### 1.5 Intangible Assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item                      | Useful life |
|---------------------------|-------------|
| Website development costs | 5 years     |
| Computer software         | 3 years     |

### 1.6 Financial Instruments

Financial instruments are initially recognised at fair value.

#### Initial recognition and measurement

##### Subsequent Measurement

Credit Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the case of an approved GRAP104 Standard on Financial Instruments.

##### Investment

Derecognition Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying").
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard on GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

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### 1.6 Financial Instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

**Thaba Chweu Local Municipality**  
(Registration number MP321)  
Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

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### 1.6 Financial Instruments (continued)

- Instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial Instruments at fair value;
- Financial Instruments at amortised cost;
- Financial Instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

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### 1.7 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue from exchange transactions in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- \* distribution at no charge or for a nominal charge; or
- \* consumption in the production process of goods to be distributed at no charge or for a nominal charge

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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#### **1.8 Inventories (continued)**

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.9 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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### 1.9 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or

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### 1.10 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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### 1.10 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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### 1.10 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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### 1.10 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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### 1.11 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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### **1.12 Revenue from exchange transactions (continued)**

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.13 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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### 1.13 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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### **1.13 Revenue from non-exchange transactions (continued)**

#### **Taxes**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### **Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Debt forgiveness and assumption of liabilities**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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### 1.13 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractually cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1 and 1.9. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds X months,

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

# **Thaba Chweu Local Municipality**

(Registration number MP121)

Annual Financial Statements for the ended 30 June 2014

## **Accounting Policies**

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### **1.15 Borrowing costs (continued)**

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.16 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current .

### **1.17 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.19 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.20 Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.21 Presentation of currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### **1.22 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Accounting Policies

### 1.23 Budget Information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013-07-01 to 2014-06-30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

### 1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.25 Value Added Tax

The municipality **accounts** for VAT on the payment basis

### 1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Notes to the Annual Financial Statements

### 2. New Standards and Interpretations

#### 2.1 Standards and Interpretations effective and adopted in the current

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

##### GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

##### GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### **Notes to the Annual Financial Statements**

#### **GRAP 7 (as revised 2012): Investments in Associates**

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

## **Thaba Chweu Local Municipality**

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Annual Financial Statements for the ended 30 June 2014

### **Notes to the Annual Financial Statements**

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 27 and GRAP 31 (as revised 2012)**

These Standards of GRAP replace the previous Standard of GRAP on Agriculture (GRAP 101) and Standard of GRAP on Intangible Assets due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27) and Intangible Assets (IPSAS 31) respectively.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue (GRAP 9); and
- (b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **IGRAP 16: Intangible Assets - Website Costs**

The Interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information

## **Thaba Chweu Local Municipality**

{Registration number MP321}

Annual Financial Statements for the ended 30 June 2014

### **Notes to the Annual Financial Statements**

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effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

#### **GRAP 107: Mergers**

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

#### **GRAP 32: Service Concession Arrangements; Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

## **Thaba Chweu Local Municipality**

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Annual Financial Statements for the year ended 30 June 2014

### **Notes to the Annual Financial Statements**

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard on Service Concession Arrangements: Grantor.

This Interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The Interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 100 (revised 2013): Discontinued Operations**

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

## Thaba Chweu Local Municipality

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Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.

- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### 2.3 Standards and Interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

##### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### 3. Investment Property

|                     | 2014                                    |                | 2013                                    |                |
|---------------------|---|----------------|---|----------------|
|                     | Investment<br>Property at<br>Fair Value | Carrying value | Investment<br>Property at<br>Fair Value | Carrying value |
| Investment property | 490,330,111                             | -              | 368,881,434                             | -              |

##### Reconciliation of Investment property - 2014

|                     | Opening<br>balance | Transfers    | Fair value<br>adjustments | Total       |
|---------------------|--------------------|--------------|---------------------------|-------------|
| Investment property | 368,881,434        | (26,232,000) | 147,680,677               | 490,330,111 |

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014 2013

### Reconciliation of investment property - 2013

|                     | Opening balance | Additions   | Total       |
|---------------------|-----------------|-------------|-------------|
| Investment property | 149,388,200     | 219,493,234 | 368,881,434 |

### 4. Property, Plant and Equipment

|                           | 2014                 |   |                    | 2013                 |   |                    |
|---------------------------|----------------------|---|--------------------|----------------------|---|--------------------|
|                           | Cost / Valuation     | Accumulated depreciation and accumulated impairment | Carrying value     | Cost / Valuation     | Accumulated depreciation and accumulated impairment | Carrying value     |
|                           |                      |   |                    |                      |   |                    |
| Land                      | 6,595,440            | -   | 6,595,440          | 6,595,440            | -   | 6,595,440          |
| Buildings                 | 20,908,840           | (6,823,530)   | 14,085,310         | 20,908,840           | (6,117,169)   | 14,791,671         |
| Plant and machinery       | 1,355,861            | (604,311)   | 751,550            | 1,355,861            | (318,747)   | 1,037,114          |
| Furniture and fixtures    | 4,975,091            | (1,272,584)   | 3,702,507          | 4,813,844            | (770,862)   | 4,042,982          |
| Motor vehicles            | 5,022,852            | (2,392,363)   | 2,630,489          | 5,022,852            | (1,887,576)   | 3,135,276          |
| Office equipment          | 1,799,028            | (550,835)   | 1,248,193          | 1,767,278            | (377,819)   | 1,389,459          |
| Computer equipment        | 2,759,055            | (634,113)   | 2,124,942          | 2,645,491            | (453,357)   | 2,192,134          |
| Infrastructure            | 951,528,580          | (283,841,727)                                       | 667,686,853        | 951,528,580          | (254,750,414)                                       | 696,778,166        |
| Community                 | 140,202,945          | (10,306,255)  | 129,896,690        | 113,245,658          | (7,181,671)   | 106,064,187        |
| Assets under construction | 60,248,539           | -   | 60,248,539         | 24,810,699           | -   | 24,810,699         |
| Heritage assets           | 2,582,195            | (1,433)   | 2,580,762          | 2,582,195            | (1,433)   | 2,580,762          |
| <b>Total</b>              | <b>1,197,978,426</b> | <b>(306,427,151)</b>                                | <b>891,551,275</b> | <b>1,135,276,938</b> | <b>(271,859,048)</b>                                | <b>863,417,890</b> |

### Reconciliation of property, plant and equipment - 2014

|                           | Opening balance    | Additions         | Transfers    | Provision on landfill sites | Depreciation        | Impairment loss    | Total           |
|---------------------------|--------------------|-------------------|--------------|-----------------------------|---------------------|--------------------|-----------------|
| Land                      | 6,595,440          | -                 | -            | -                           | -                   | -                  | 20,908,         |
| Buildings                 | 14,791,671         | -                 | -            | -                           | (706,361)           | -                  | 14,085,         |
| Plant and machinery       | 1,037,114          | -                 | -            | -                           | (265,564)           | -                  | 751             |
| Furniture and fixtures    | 4,042,982          | 161,247           | -            | -                           | (501,722)           | -                  | 3,702           |
| Motor vehicles            | 3,135,276          | -                 | -            | -                           | (501,787)           | -                  | 2,630           |
| Office equipment          | 1,389,459          | 31,750            | -            | -                           | (173,016)           | -                  | 1,248           |
| Computer equipment        | 2,192,134          | 113,565           | -            | -                           | (180,757)           | -                  | 2,124           |
| Infrastructure            | 696,778,166        | -                 | -            | -                           | (29,091,313)        | -                  | 667,686         |
| Community                 | 106,064,187        | -                 | 23,829,004   | 3,128,082                   | (1,584,354)         | (1,540,229)        | 129,896         |
| Assets under construction | 24,810,699         | 59,266,844        | (23,829,004) | -                           | -                   | -                  | 60,248          |
| Heritage assets           | 2,580,762          | -                 | -            | -                           | -                   | -                  | 7,580           |
| <b>Total</b>              | <b>863,417,890</b> | <b>59,573,406</b> | <b>-</b>     | <b>3,128,082</b>            | <b>(33,027,674)</b> | <b>(1,540,229)</b> | <b>905,864,</b> |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

2014 2013

#### Reconciliation of property, plant and equipment - 2013

|                           | Opening balance | Additions  | Transfers   | Depreciation | Impairment loss | Total       |
|---------------------------|-----------------|------------|-------------|--------------|-----------------|-------------|
| Land                      | 6,595,440       | -          | -           | -            | -               | 6,595,440   |
| Buildings                 | 15,498,012      | -          | -           | (706,361)    | -               | 14,791,671  |
| Plant and machinery       | 115,036         | 1,161,188  | -           | (65,105)     | (174,005)       | 1,037,114   |
| Furniture and fixtures    | 282,188         | 4,449,598  | -           | (51,152)     | (637,657)       | 4,042,982   |
| Motor vehicles            | 3,136,125       | 521,306    | -           | (433,361)    | (88,794)        | 3,135,276   |
| Office equipment          | 403,805         | 1,273,208  | -           | (65,915)     | (221,639)       | 1,389,459   |
| Computer equipment        | 668,339         | 1,838,042  | -           | (72,051)     | (247,196)       | 2,192,134   |
| Infrastructure            | 721,031,684     | -          | 1,829,578   | (29,083,096) | -               | 696,778,166 |
| Community                 | 101,171,363     | -          | 6,553,822   | (1,038,385)  | (622,613)       | 106,064,187 |
| Assets under construction | 3,780,335       | 29,413,764 | (8,383,400) | -            | -               | 24,810,699  |
| Heritage assets           | 2,568,508       | 13,687     | -           | -            | (1,433)         | 2,580,762   |
|                           | 858,250,855     | 38,670,793 | -           | (31,515,426) | (1,988,332)     | 863,417,890 |

#### 5. Intangible Assets

|  | 2014             |   |                | 2013             |   |                |
|--|------------------|---|----------------|------------------|---|----------------|
|  | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Website development costs and antivirus software | 304,430          | (258,713)   | 45,717         | 304,430          | (209,100)   | 95,330         |

#### Reconciliation of Intangible assets - 2014

|  | Website development costs and antivirus software | Opening balance | Amortisation | Total  |
|--|--|-----------------|--------------|--------|
|  |  | 95,330          | (49,613)     | 45,717 |
|  |  |                 |              |        |

#### Reconciliation of Intangible assets - 2013

|  | Website development costs and antivirus software | Opening balance | Additions | Amortisation | Total  |
|--|--|-----------------|-----------|--------------|--------|
|  |  | 87,917          | 198,930   | (191,517)    | 95,330 |
|  |  |                 |           |              |        |

#### 6. Long Term Investments

| Designated at fair value |  |  |                     |
|--------------------------|--|--|---------------------|
| Long Term Deposits       |  |  | 7,668 8,917,688     |
| Listed Investments       |  |  | 1,588,363 1,245,897 |

Listed investments are disclosed at current market value of shares at reporting date. The municipality's risk is that the share price of listed investments might drop significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record.

1,596,031 10,163,585

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                                      | 2014                | 2013                |
|--|---------------------|---------------------|
| <b>7. Inventories</b>                                |                     |                     |
| Consumable stores                                    | 3,792,805           | 3,488,057           |
| Water  | 7,880               | 24,889              |
|  | <b>3,800,685</b>    | <b>3,512,942</b>    |
| <b>8. Receivables from Non-Exchange Transactions</b> |                     |                     |
| Rates and other taxes                                | 32,552,793          | 21,731,342          |
| <b>9. Vat Receivable</b>                             |                     |                     |
| VAT  | 9,580,079           | 2,915,245           |
| <b>10. Receivables from Exchange Transactions</b>    |                     |                     |
| Gross balances                                       |                     |                     |
| Electricity  | 31,210,052          | 25,976,856          |
| Water  | 27,055,062          | 19,070,688          |
| Sewerage   | 10,119,978          | 6,840,843           |
| Refuse   | 12,468,702          | 8,651,985           |
| Capitalised consumer debt                            | 58,237,654          | 61,542,314          |
| Other  | 147,547             | (108,425)           |
|  | <b>139,258,995</b>  | <b>121,984,261</b>  |
| Less: Allowance for impairment                       |                     |                     |
| Electricity  | (21,719,658)        | (12,430,329)        |
| Water  | (25,681,059)        | (19,882,918)        |
| Sewerage   | (16,374,561)        | (6,456,384)         |
| Refuse   | (6,699,129)         | (3,577,604)         |
|  | <b>(70,494,407)</b> | <b>(42,347,235)</b> |
| Net balance  |                     |                     |
| Electricity  | 9,490,394           | 13,546,527          |
| Water  | 1,374,003           | (812,230)           |
| Sewerage   | (6,254,583)         | 384,459             |
| Refuse   | 5,769,573           | 5,084,381           |
| Capitalised consumer debt                            | 58,237,654          | 61,542,314          |
| Other  | 147,547             | (108,425)           |
|  | <b>68,764,588</b>   | <b>79,637,026</b>   |
| <b>Water</b>   |                     |                     |
| Current (0 - 30 days)                                | 2,352,047           | 1,828,021           |
| 31 - 60 days   | 1,487,921           | 980,673             |
| 61 - 90 days   | 1,173,362           | 877,722             |
| 91 - 120 days  | 1,123,527           | 667,044             |
| > 365 days   | 20,923,204          | 14,717,228          |
|  | <b>27,055,061</b>   | <b>19,070,688</b>   |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                       | 2014              | 2013              |
|---------------------------------------|-------------------|-------------------|
| <b>Electricity</b>                    |                   |                   |
| Current (0 -30 days)                  | 6,582,002         | 8,078,922         |
| 31 - 60 days                          | 2,165,611         | 1,092,313         |
| 61 - 90 days                          | 1,820,613         | 833,148           |
| 91 - 120 days                         | 1,563,767         | 3,902,798         |
| > 365 days                            | 19,096,971        | 12,069,675        |
|                                       | <b>31,728,964</b> | <b>25,976,856</b> |
| <b>Sewerage</b>                       |                   |                   |
| Current (0 -30 days)                  | 919,901           | 824,328           |
| 31 - 60 days                          | 527,643           | 437,699           |
| 61 - 90 days                          | 458,952           | 379,166           |
| 91 - 120 days                         | 442,052           | 349,080           |
| > 365 days                            | 7,771,430         | 4,850,570         |
|                                       | <b>10,119,978</b> | <b>6,840,843</b>  |
| <b>Refuse</b>                         |                   |                   |
| Current (0 -30 days)                  | 1,194,064         | 897,311           |
| 31 - 60 days                          | 567,304           | 402,432           |
| 61 - 90 days                          | 495,454           | 337,763           |
| 91 - 120 days                         | 450,428           | 307,911           |
| > 365 days                            | 9,761,453         | 6,716,566         |
|                                       | <b>12,468,703</b> | <b>8,661,985</b>  |
| <b>Capitalised consumer debt</b>      |                   |                   |
| > 365 days                            | 58,237,654        | 61,542,314        |
| <b>Other</b>                          |                   |                   |
| Current (0 -30 days)                  | 224,631           | 2,465             |
| 31 - 60 days                          | 18,352            | 2,001             |
| 61 - 90 days                          | 8,585             | 2,007             |
| 91 - 120 days                         | 6,847             | 2,006             |
| > 365 days                            | (110,868)         | (116,904)         |
|                                       | <b>147,547</b>    | <b>(108,425)</b>  |
| <b>11. Cash and Cash Equivalents</b>  |                   |                   |
| Cash and cash equivalents consist of: |                   |                   |
| Bank balances                         | 3,264,776         | 1,142,080         |
| Short-term deposits                   | 1,617,920         | -                 |
| Bank overdraft                        | -                 | (167,729)         |
|                                       | <b>4,884,696</b>  | <b>974,351</b>    |
| Current assets                        | 4,884,696         | 1,142,080         |
| Current liabilities                   | -                 | (167,729)         |
|                                       | <b>4,884,696</b>  | <b>974,351</b>    |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand   | 2014                    |                |                    | 2013               |                 |                    |  |  |  |  |  |  |
|---|-------------------------|----------------|--------------------|--------------------|-----------------|--------------------|--|--|--|--|--|--|
| <b>The municipality had the following bank accounts</b> |                         |                |                    |                    |                 |                    |  |  |  |  |  |  |
| <b>Account number / description</b>                     |                         |                |                    |                    |                 |                    |  |  |  |  |  |  |
|   | Bank statement balances |                |                    | Cash book balances |                 |                    |  |  |  |  |  |  |
| 30 June 2014  | 30 June 2013            | 30 June 2012   | 30 June 2014       | 30 June 2013       | 30 June 2012    |                    |  |  |  |  |  |  |
| ABSA Lydenburg (10-1000-0218)                           | 423,987                 | (167,729)      | 851,377            | 423,987            | (167,729)       | 851,377            |  |  |  |  |  |  |
| ABSA Sable (40-5826-4705)                               | 128,471                 | 10,329         | 21,398             | 128,471            | 10,329          | 21,398             |  |  |  |  |  |  |
| FNB (62028324016)                                       | -                       | -              | 74,128             | -                  | -               | 74,128             |  |  |  |  |  |  |
| Standard Bank-Primary Bank Account (24-320-336-5)       | 1,240,715               | 392,668        | (2,872,039)        | 1,185,977          | 392,668         | (2,872,039)        |  |  |  |  |  |  |
| Standard Bank -Traffic                                  | 1,528,341               | 739,083        | -                  | 1,528,341          | 739,083         | -                  |  |  |  |  |  |  |
| Standard Bank - Call Account                            | 52,007                  | -              | -                  | 52,007             | -               | -                  |  |  |  |  |  |  |
| Post Office Guarantee - 488610621                       | -                       | -              | -                  | -                  | -               | -                  |  |  |  |  |  |  |
| Standard Bank - MIG Call Accounts - 488610621           | 1,279,045               | -              | -                  | 1,279,045          | -               | -                  |  |  |  |  |  |  |
| Standard Bank - MWIG Call Account - 488610621           | 286,869                 | -              | -                  | 286,869            | -               | -                  |  |  |  |  |  |  |
| <b>Total</b>  | <b>4,939,435</b>        | <b>974,351</b> | <b>(1,925,136)</b> | <b>4,884,697</b>   | <b>974,351</b>  | <b>(1,925,136)</b> |  |  |  |  |  |  |
| <b>12. Revaluation Reserve</b>                          |                         |                |                    |                    |                 |                    |  |  |  |  |  |  |
| Opening balance   | -                       | -              | -                  | -                  | 1,001,893,687   | -                  |  |  |  |  |  |  |
| Change during the year                                  | -                       | -              | -                  | -                  | (1,001,893,687) | -                  |  |  |  |  |  |  |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                                       | 2014             | 2013              |
|---|------------------|-------------------|
| <b>13. Unspent Conditional Grants and Receipts</b>    |                  |                   |
| Unspent conditional grants and receipts comprises of: |                  |                   |
| <b>Total Unspent Conditional Grants and Receipts</b>  |                  |                   |
| <b>FMG</b>  |                  |                   |
| Balance Unspent at the beginning of the year          |                  |                   |
| Current year receipts                                 | 1,550,000        | (1,500,000)       |
| Conditions met transferred to revenue                 | (1,550,000)      | 1,500,000         |
| Conditions still to be met - remain liabilities       |                  |                   |
| <b>MSIG</b>   |                  |                   |
| Balance Unspent at the beginning of the year          |                  |                   |
| Current year receipts                                 | 890,000          | 800,000           |
| Conditions met transferred to revenue                 | (890,000)        | (800,000)         |
| Conditions still to be met - remain liabilities       |                  |                   |
| <b>EPWP</b>   |                  |                   |
| Balance unspent at the beginning of the year          |                  |                   |
| Current year receipts                                 | 1,000,000        | (1,000,000)       |
| Conditions met transferred to revenue                 | (1,000,000)      | 1,000,000         |
| Conditions still to be met - remain liabilities       |                  |                   |
| <b>MLG</b>  |                  |                   |
| Balance Unspent at the beginning of the year          | 4,932,849        |                   |
| Current year receipts                                 | 39,019,000       | 32,677,000        |
| Conditions met transferred to revenue                 | (43,981,849)     | (27,444,152)      |
| Conditions still to be met - remain liabilities       | 4,932,848        |                   |
| <b>INEP</b>   |                  |                   |
| Balance unspent at the beginning of the year          | 4,625,606        |                   |
| Current year receipts                                 | 1,900,000        | 5,700,000         |
| Conditions met transferred to revenue                 | (6,525,606)      | (1,074,394)       |
| Conditions still to be met - remain liabilities       | 4,625,605        |                   |
| <b>WSOG</b>   |                  |                   |
| Balance unspent at the beginning of the year          | 2,798,000        |                   |
| Current year receipts                                 | 3,000,000        | 5,300,000         |
| Conditions met transferred to revenue                 | (5,798,000)      | (2,502,000)       |
| Conditions still to be met - remain liabilities       | 2,798,000        |                   |
| <b>MWAG</b>   |                  |                   |
| Balance unspent at the beginning of the year          |                  |                   |
| Current year receipts                                 | 14,341,000       |                   |
| Conditions met transferred to revenue                 | (11,472,999)     |                   |
| Conditions still to be met - remain liabilities       | 2,868,001        |                   |
|   | <b>2,868,002</b> | <b>12,356,454</b> |

## Thaba Chweu Local Municipality

(Registration number MP324)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

|  | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>Government Grants and Subsidies</b>               |                    |                    |
| Additions during the year                            | 2,868,002          | 12,356,454         |
| Government Grants and Subsidies Received             |                    |                    |
| Equitable shares                                     | 2,014              | 2,013              |
| MIG Grant  | 74,531,000         | 72,184,000         |
| National EPWP, FMG, DWF, INEP Grant                  | 39,049,000         | 32,377,000         |
|  | 27,681,000         | 14,300,000         |
| <b>Total Government Grant and Subsidies Received</b> | <b>136,263,014</b> | <b>118,863,013</b> |

#### 14. Provisions

##### Reconciliation of provisions - 2014

|  | Opening Balance   | Additions        | Reduction due to re-measurement or settlement without cost to entity | Total             |
|--|-------------------|------------------|--|-------------------|
| Provision for rehabilitation of landfill sites | 687,750           | 3,356,725        | -  | 4,044,475         |
| Provision for leave                            | 13,228,330        | -                | (1,082,849)  | 12,145,481        |
|  | <b>13,916,080</b> | <b>3,356,725</b> | <b>(1,082,849)</b>   | <b>16,169,956</b> |

##### Reconciliation of provisions - 2013

|  | Opening Balance   | Total             |
|--|-------------------|-------------------|
| Provision for rehabilitation of landfill sites | 687,750           | 687,750           |
| Provision for leave                            | 13,228,330        | 13,228,330        |
|  | <b>13,916,080</b> | <b>13,916,080</b> |

#### 15. Payables from Exchange Transactions

|                |                    |                    |
|----------------|--------------------|--------------------|
| Trade payables | 319,871,620        | 241,396,876        |
| Other payables | 25,442,405         | 13,377,897         |
|                | <b>345,314,023</b> | <b>254,774,773</b> |

#### 16. Consumer Deposits

|                       |           |           |
|-----------------------|-----------|-----------|
| Electricity and water | 4,309,157 | 3,889,659 |
|-----------------------|-----------|-----------|

Deposits generate no interest as per council resolution.

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand  | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>17. Revenue</b>   |                    |                    |
| Service charges  | 158,071,420        | 139,749,706        |
| Rental of facilities and equipment   | 2,208,802          | 489,546            |
| Income from agency services  | 26,491,672         | 19,380,439         |
| Other income   | 15,331,506         | 11,657,631         |
| Interest received - investment   | 1,111,928          | 650,094            |
| Property rates   | 34,081,703         | 30,293,463         |
| Government grants & subsidies  | 133,602,558        | 103,472,869        |
| Fines  | 799,773            | 1,035,325          |
|  | <b>371,699,362</b> | <b>306,729,073</b> |
| The amount included in revenue arising from exchanges of goods or services are as follows:   |                    |                    |
| Service charges  | 158,071,420        | 139,749,706        |
| Rental of facilities and equipment   | 2,208,802          | 489,546            |
| Income from agency services  | 26,491,672         | 19,380,439         |
| Other income   | 15,331,506         | 11,657,631         |
| Interest received - investment   | 1,111,928          | 650,094            |
|  | <b>203,215,328</b> | <b>171,927,416</b> |
| The amount included in revenue arising from non-exchange transactions is as follows:   |                    |                    |
| Taxation revenue   | 34,081,703         | 30,293,463         |
| Property rates   |                    |                    |
| Transfer revenue   |                    |                    |
| Government grants & subsidies  | 133,602,558        | 103,472,869        |
| Fines  | 799,773            | 1,035,325          |
|  | <b>168,484,034</b> | <b>134,801,657</b> |
| Nature and type of services in-kind are as follows:  |                    |                    |
| The services received in kind from Ehlanzeni District Municipality relates to financial support received for implementation of a clean audit strategy. |                    |                    |
| <b>18. Property Rates</b>  |                    |                    |
| Rates received   |                    |                    |
| Residential  | 10,160             |                    |
| State  | 1,528,669          | 1,419,082          |
| Educational  | 913,636            | 862,258            |
| Institutional  | 1,109,617          | 1,078,681          |
| Industrial   | 11,117,472         | 10,348,634         |
| Less: Income forgone   | 19,402,149         | 16,584,808         |
|  | <b>34,081,703</b>  | <b>30,293,463</b>  |
| <b>19. Service Charges</b>   |                    |                    |
| Sale of electricity  | 109,478,396        | 101,553,516        |
| Sale of water  | 28,012,611         | 21,855,495         |
| Sewerage and sanitation charges  | 9,679,414          | 7,956,683          |
| Refuse removal   | 10,900,999         | 8,384,012          |
|  | <b>158,071,420</b> | <b>139,749,706</b> |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

|  | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>20. Government Grants and Subsidies</b> |                    |                    |
| <b>Operating grants</b>                    |                    |                    |
| Equitable share                            |                    |                    |
| LG Seta Grant                              | 74,531,000         | 72,184,000         |
| Municipal Information Systems Grant        | 362,860            | 430,048            |
| EPWP Grant                                 | -                  | 819,000            |
| Financial Management Grant                 | 846,699            | 1,000,000          |
| Municipal Systems Improvement Grant        | 1,550,000          | 1,571,000          |
|  | 890,000            | -                  |
|  | <b>78,180,559</b>  | <b>76,004,048</b>  |
| <b>Capital grants</b>                      |                    |                    |
| Municipal Infrastructure Grant             | 39,049,000         | 21,894,427         |
| INEP Grant                                 | 13,372,999         | 1,074,394          |
| DWAF Grant                                 | 3,000,000          | 2,500,000          |
|  | <b>55,421,999</b>  | <b>27,468,821</b>  |
| <b>Total Amount Received</b>               | <b>133,602,558</b> | <b>103,472,869</b> |
| <b>21. Other Income</b>                    |                    |                    |
| Building plan fees                         | 577,155            | 293,661            |
| Bulk service contribution                  | 124,010            | 530,859            |
| Connection Fees                            | 159,789            | 184,561            |
| Sundry Income                              | 14,470,552         | 10,648,550         |
|  | <b>15,331,506</b>  | <b>11,657,631</b>  |

**Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

**Notes to the Annual Financial Statements**

Figures in Rand

**22. General Expenses**

|  | 2014              | 2013              |
|--|-------------------|-------------------|
| Advertising                              |                   |                   |
| Auditors fees                            |                   |                   |
| Bank charges                             |                   | 880               |
| Cleaning                                 | 3,236,783         | 4,387,508         |
| Legal costs                              | 768,557           | 881,228           |
| Consumables                              | 28,995            | 1,789,844         |
| Digging of graves                        | 3,918,445         | 1,432,196         |
| Hire                                     | 537,173           | 799,610           |
| Insurance                                | 8,700             | 29,750            |
| Conferences and seminars                 | 1,909,241         | 2,077,627         |
| Magazines, books and periodicals         | 2,193             |                   |
| Motor vehicle expenses                   | 111,133           | 1,543,182         |
| Public participation and ward committees | 11,662,601        | 19,203            |
| Placement fees                           | 42,450            | 5,313,346         |
| Postage and courier                      | 25,435            | 689               |
| Printing and stationery                  | 93,648            | 52,499            |
| Protective clothing                      | 1,739,789         | 11,016,716        |
| Staff welfare                            | 110,035           | 318,771           |
| Subscriptions and membership fees        | 1,440             | 40,120            |
| Telephone and fax                        | 83,166            | 67,009            |
| Training                                 | 1,088,859         | 1,063,112         |
| Travel and Accommodation                 | 1,703,003         | 1,475,283         |
| Electricity                              | 942,558           | 2,213,033         |
| Sewerage and waste disposal              | 5,524,974         | 1,826,450         |
| Water                                    | 17,851            | 16,387            |
| Refuse                                   | 1,122,636         | 752,851           |
| Uniforms                                 | 459,313           | 329,262           |
| Debit orders                             | 17,205            | 198,399           |
| Stock losses                             | 3,070,475         | 191               |
| Licence fees                             | 1,641,256         |                   |
| Sundry Expenses                          | 1,541,310         | 424,510           |
| Valuation costs                          | 17,005            | (24,885)          |
| Calebration machines                     |                   | 124,757           |
| Integration of Thaba Chweu               | 33,015            |                   |
| Other expenses                           | 839,519           | 410,500           |
|  | <b>19,159,147</b> | <b>33,881,054</b> |
|  | <b>60,977,910</b> | <b>72,461,112</b> |

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

### 23. Employee Related Costs

|  | 2014               | 2013              |
|--|--------------------|-------------------|
| Salaries   |                    |                   |
| Bonus  |                    |                   |
| Medical aid - company contributions                                | 66,301,886         | 60,600,506        |
| UIF  | 4,673,809          | 4,194,301         |
| SDL  | 17,287,813         | 15,037,334        |
| Other payroll levies   | 539,867            | 511,716           |
| Leave pay provision charge   | 1,241,448          | 761,030           |
| Defined contribution plans   | 30,042             | 28,908            |
| Travel, motor car, accommodation, subsistence and other allowances | 417,377            | 1,643,434         |
| Overtime payments  | -                  | 65,225            |
| Long-service awards  | 4,179              | 1,266             |
| Transport allowance  | 5,022,083          | 5,844,600         |
| Car allowance  | 3,386,324          | -                 |
| Housing benefits and allowances                                    | 21,070             | 6,573             |
| Insurance Group Life   | 8,606,489          | 8,078,124         |
| Cellphone Allowance  | 278,196            | 364,421           |
|  | 210,915            | 194,934           |
|  | 1,396,342          | 1,211,778         |
| <b>Remuneration of Municipal Manager</b>                           | <b>109,417,840</b> | <b>98,564,150</b> |

### Remuneration of Municipal Manager

|   |   |         |
|---|---|---------|
| Annual Remuneration                             | - |         |
| Performance Bonuses                             | - | 743,931 |
| Contributions to UIF, Medical and Pension Funds | - | 191,169 |
|   | - | 57,292  |
|   | - | 992,412 |

### Remuneration of Chief Finance Officer

|   |         |         |
|---|---------|---------|
| Date commenced: November 2013                   |         |         |
| Annual Remuneration                             | 187,500 | 100,000 |
| Acting Allowance                                | 175,000 | -       |
| Travel Allowance                                | 44,521  | -       |
| Contributions to UIF, Medical and Pension Funds | 21,279  | 1,497   |
|   | 428,300 | 301,497 |

### Remuneration of Director: Corporate Services

|   |           |         |
|---|-----------|---------|
| Annual Remuneration                             | 794,910   | 334,580 |
| Allowances (Acting and travelling)              | 43,690    | 109,157 |
| Performance Bonuses                             | -         | 182,816 |
| Contributions to UIF, Medical and Pension Funds | 307,431   | 57,030  |
|   | 1,146,040 | 683,583 |

### Remuneration of Director: Technical Services

|   |         |         |
|---|---------|---------|
| Date commenced: March 2014                      |         |         |
| Annual Remuneration                             | 137,660 | 641,680 |
| Allowances (Acting, cell phone and travel)      | 194,893 | 118,785 |
| Contributions to UIF, Medical and Pension Funds | 112,411 | 68,819  |
| Other   | 16,541  | -       |
|   | 444,964 | 845,825 |

**Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

**Notes to the Annual Financial Statements**

Figures in Rand

|  | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>Remuneration of Director: Community Services</b>  |                   |                   |
| Annual Remuneration  | 102,222           | 334,580           |
| Car Allowance  | -                 | 105,772           |
| Performance Bonuses  | -                 | 199,100           |
| Contributions to UIF, Medical and Pension Funds  | -                 | 45,194            |
| Acting Allowance   | 13,324            | -                 |
| Travel allowance   | 175,000           | -                 |
| Cellphone Allowance  | 33,674            | -                 |
|  | 6,964             | -                 |
|  | <b>331,184</b>    | <b>684,646</b>    |
| <b>Post-retirement medical benefits</b>  |                   |                   |
| The amounts recognised in the Statement of Financial Position were determined as follows:        |                   |                   |
| Present value of funded obligation   | 25,855,745        | 21,333,959        |
| Fair value of plan assets  | -                 | -                 |
| Liability in the Statement of Financial Position   | 25,855,745        | 21,333,959        |
| Movements in the defined benefit obligation is as follows:                                       |                   |                   |
| Balance at beginning of the year   | 21,333,959        | 19,470,075        |
| Current service and interest cost  | 2,339,180         | 2,084,116         |
| Benefit payments   | 1,140,927         | 964,198           |
| Actuarial (gains)/ losses  | 3,323,533         | 743,966           |
| Miscellaneous  | -                 | -                 |
| Balance at end of year   | <b>25,855,745</b> | <b>21,333,959</b> |
| The amounts recognised in the Statement of Financial Performance were as follows:                |                   |                   |
| Statement of Financial Position obligation for:  |                   |                   |
| Long service award   | 25,855,745        | 21,333,959        |
| Statement of Financial Performance obligation for:   |                   |                   |
| Post-employment medical benefits loss  | 25,855,745        | 21,333,959        |
| Long service award loss  | 3,323,533         | 743,966           |
| Additional retirement costs  | 3,323,533         | 743,966           |
| Post Medical Aid Benefit   | <b>3,323,533</b>  | <b>743,966</b>    |
| Independent valuers, One Pangaea Financial, carried out a statutory valuation on an annual basis | -                 | -                 |
| The principal actuarial assumptions used were as follows:  |                   |                   |
| Discount rate per annum  | 8.98              | 8.97              |
| General Inflation  | 6.56              | 6.11              |
| Health Care inflation Rate   | 8.06              | 7.61              |
| Net Discount Rate  | 1                 | 1                 |
| Examples of mortality rates used were as follows:  |                   |                   |
| Average retirement age   | 63                | 63                |
| Mortality during employment  | 90                | 90                |
| Members withdrawn from services: (Average for males and females)                                 | -                 | -                 |
| Age 20-24  | 16                | 24                |
| Age 25-29  | 12                | 18                |
| Age 30-34  | 10                | 15                |
| Age 35-39  | 8                 | 10                |
| Age 40-44  | 6                 | 6                 |
| Age 45-49  | 4                 | 4                 |

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

Age 50-54

Age 55+

2014

2013

-

-

Long-service leave awards

167,387,159 132,164,304

The amounts recognised in the Statement of Financial Position are determined as follows:

Present value of funded obligation

Fair value of plan assets

Liability in the Statement of Financial Position

5,841,000 6,976,542

Movements in the defined benefit obligation is as follows:

5,841,000 6,976,542

Balance at the beginning of the year

Current service

4,994,000 5,613,858

Benefit payments

860,000 1,401,377

Actuarial (gains)/ losses

745,000 387,986

Actuarial (gain)/loss

732,000 349,393

Balance at end of the year

349,000

5,841,000 6,976,000

Statement of Financial Position obligation for

Post-employment medical benefit

Long services award

5,851,000 6,976,642

Statement of Financial Performance obligation for:

Post-employment medical benefit loss

Long service award loss

732,000 349,393

Additional retirement costs:

732,000 349,393

Long Service Awards

Independent valuers, One Pangaea Financial, carried out a statutory valuation on the annual basis

The principal actuarial assumptions used were as follows:

Discount rate per annum

9 9

General inflation

7 6

Health Care Inflation Rate

5 7

Net discount rate

1 2

Examples of mortality rates used were as follows:

Average retirement age

63 63

Mortality during employment

SA85-90 SA85-90

Members withdrawn from services: (Average for males and females)

|           |            |            |
|-----------|------------|------------|
| Age 20-24 | 16         | 16         |
| Age 25-29 | 7          | 7          |
| Age 30-34 | 5          | 5          |
| Age 35-39 | 4          | 4          |
| Age 40-44 | 3          | 3          |
| Age 45-49 | 2          | 2          |
| Age 50-54 | 1          | 1          |
| Age 55+   | -          | -          |
|           | 32,909,716 | 37,064,334 |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                               | 2014              | 2013              |
|---|-------------------|-------------------|
| <b>24. Remuneration of Councillors</b>        |                   |                   |
| Executive Mayor                               | 645,549           | 645,549           |
| Speaker                                       | 516,439           | 516,439           |
| Chief Whip                                    | 484,162           | 484,162           |
| MMC: Finance and Technical Services           | 484,162           | 484,162           |
| MMC: Corporate Services and Human Settlement  | 484,162           | 484,162           |
| MMC1 Community Services and Public Safety     | 484,162           | 484,162           |
| Portfolio Chairperson; MPAC                   | 248,536           | 248,536           |
| Portfolio Chairperson: Land Use Committee     | 248,536           | 248,536           |
| Other Councillors                             | 3,832,479         | 4,993,561         |
|   | <b>7,428,187</b>  | <b>8,589,269</b>  |
| <b>25. Debt Impairment</b>                    |                   |                   |
| Contributions to debt impairment provision    | 28,147,172        | -                 |
| <b>26. Investment Revenue</b>                 |                   |                   |
| Interest revenue                              |                   |                   |
| Bank  | 1,111,928         | 650,094           |
| <b>27. Fair value adjustments</b>             |                   |                   |
| Investment property (Fair value model)        | 147,470,477       | (36,987,800)      |
| <b>28. Depreciation and Amortisation</b>      |                   |                   |
| Property, Plant and Equipment                 | 33,027,873        | 31,515,426        |
| Intangible assets                             | 49,613            | 191,517           |
|   | <b>33,077,486</b> | <b>31,706,943</b> |
| <b>29. Finance Costs</b>                      |                   |                   |
| Interest paid                                 | 23,681,158        | 12,099,094        |
| <b>30. Auditors' Remuneration</b>             |                   |                   |
| Audit fees                                    | 3,236,783         | 4,387,508         |
| <b>31. Rental of facilities and equipment</b> |                   |                   |
| Premises                                      |                   |                   |
| Premises                                      | 2,207,491         | 460,998           |
| Venue hire                                    | 1,311             | 8,548             |
|   | <b>2,208,802</b>  | <b>469,546</b>    |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand  | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>32. Contracted Services</b>                         |                   |                   |
| Information Technology Services                        | 10,567,663        | 23,315,349        |
| Security Services                                      | 13,117,892        | 75,384,971        |
| Other Contractors                                      | 24,638,781        | 30,697,371        |
|  | <b>48,324,536</b> | <b>79,397,691</b> |
| <b>33. Bulk purchases</b>                              |                   |                   |
| Electricity  | 115,401,687       | 109,214,732       |
| <b>34. Cash generated from operations</b>              |                   |                   |
| Surplus (deficit)                                      | 61,400,438        | (164,906,729)     |
| Adjustments for:                                       |                   |                   |
| Depreciation and amortisation                          | 33,077,486        | 31,706,943        |
| Fair value adjustments                                 | (147,470,477)     | 36,987,800        |
| Impairment deficit                                     | 1,540,229         | 1,988,333         |
| Debt impairment  | 28,147,172        | -                 |
| Movements in retirement benefit assets and liabilities | 4,521,786         | 71,333,059        |
| Movements in provisions                                | 2,273,876         | 619,154           |
| Changes in working capital:                            |                   |                   |
| Inventories  | (287,743)         | 1,069,260         |
| Consumer debtors                                       | (10,846,024)      | 1,801,298         |
| Other receivables from non-exchange transactions       | (10,821,451)      | (8,200,163)       |
| Payables from Exchange Transactions                    | 90,539,259        | 107,858,544       |
| VAT  | (6,664,834)       | (1,075,639)       |
| Unspent Conditional Grants and Receipts                | (9,488,452)       | 10,954,981        |
| Consumer deposits                                      | 419,498           | 100,289           |
|  | <b>56,340,763</b> | <b>40,238,030</b> |
| <b>35. Commitments</b>                                 |                   |                   |
| <b>Authorised expenditure</b>                          |                   |                   |
| • Capital commitments                                  | 2,865,002         | -                 |
| • Operating commitments                                | 27,962,720        | -                 |
|  | <b>30,830,722</b> | -                 |
| <b>Operating leases - as lessee (expense)</b>          |                   |                   |
| Minimum lease payments due                             |                   |                   |
| Within 1 Year  | 7,875,114         | 2,052,657         |
| In the second to fifth year inclusive                  | 6,757,164         | 5,537,688         |
|  | <b>14,632,278</b> | <b>7,590,345</b>  |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

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#### 36. Contingencies

|   |           |
|---|-----------|
| Thaba Chweu VS Eben Botha<br>Plaintiff claims damages for injury from unmarked speed bump.  | 825,000   |
| Thaba Chweu VS Hendrik Johannes Samuels<br>Plaintiff claims from damages for death of spouse due to unsafe bungee jumping equipment | 580,000   |
| Thaba Chweu VS Lesibana Railbopi<br>Previous employee claiming underpayment of salary for time of employment                        | 446,637   |
| Thaba Chweu VS Ugezi Automation & Contracting<br>Supplier claiming for unpaid invoices  | 680,695   |
| Thaba Chweu VS Naakifa Investments<br>Plaintiff claiming for discrimination. Amount for possible settlement unknown.                | -         |
| Thaba Chweu VS GF Brunette<br>Claims for injuries in accident due to poorly maintained roads.                                       | 100,000   |
| Thaba Chweu VS Eco Mare Consortium<br>Plaintiff claims for outstanding monies due.  | 2,568,769 |
| Thaba Chweu VS Telkom SA Ltd<br>Plaintiff claims for damages to cables.   | -         |
| Thaba Chweu VS VD Transcribers<br>Applicant claims for work completed and not paid for.   | 200,000   |
| Thaba Chweu VS Interactive Trading<br>Claim for breach of contract.   | 1,400,000 |
| Thaba Chweu VS Dennison and others<br>Urgent application to evict illegal occupiers of the Graskop Housing Project.                 | 3,313     |
| Thaba Chweu VS DT Pheeba<br>Claim for unpaid salary   | 136,210   |
| Thaba Chweu VS DIP Plastic<br>Claim for unpaid invoices   | 382,339   |
| Thaba Chweu VS Barlow World t/a Avis<br>Claim for payment of services rendered.   | 509,875   |
| Thaba Chweu VS Sivuthimillo Trading CC<br>Claim for unpaid invoices   | 504,576   |
| Thaba Chweu VS Mr. PN Mhlanga<br>Claim for payment of services rendered.  | 39,618    |
| Thaba Chweu VS Phiva BK t/a Miracle Timber<br>Taxation  | 2,416     |

## Thaba Chweu Local Municipality

(Registration number K9P321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand  | 2014        | 2013  |
|--|-------------|---|
| Thaba Chweu VS Graskop Beleggings (Pty) Ltd<br>Taxation            | 2,571       |   |
| Thaba Chweu VS SG Watson<br>Taxation                               | 2,547       |   |
| Thaba Chweu VS Dr HP Connaway t/a Flycatcher<br>Castle<br>Taxation | 3,313       |   |
| <br><b>37. Related parties</b>                                     |             |   |
| <b>Relationships</b>   |             |   |
| Municipal entity   |             | Thaba Chweu Local Economic Development Agency |
| Members of key management and councillors                          |             | Note 23 & 24                                  |
| <b>Related party balances</b>                                      |             |   |
| Loan accounts - Owing (to) by related parties                      |             |   |
| Thaba Chweu Local Economic Development Agency                      | (1,039,519) | (200,000)                                     |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

2014

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#### 38. Prior Period Errors

During the current financial year the municipality performed a full asset verification of their Property, Plant and Equipment. Some assets were discovered to not have been recognised in the prior financial periods which belonged to the municipality. Also some assets were incorrectly classified. The useful lives and residual values were not appropriately considered. These errors have been corrected in the current year to correctly reflect the assets under the control of the municipality.

Intangible Assets under the control of the municipality were not properly disclosed in the prior year. Corrections have been made in the current year to correctly report the intangible assets under the control of the municipality.

Some Investment Properties belonging to the municipality were not recognised in the prior year and some were incorrectly classified. Corrections relating to these have been made in the current financial year.

Electricity inventory was incorrectly recognised in the prior period which should not have been recognised. Water inventory was also incorrectly valued in the prior year disregarding some input costs. Corrections relating to these have been made in the current financial year.

Infrastructure assets were incorrectly revalued in the prior years which resulted in Revaluation Reserve which is not in line with the municipality's accounting policy. Corrections relating to this has been made in the current financial year.

The correction of the error(s) results in adjustments as follows:

| Statement of financial position            |                 |
|--|-----------------|
| Property, Plant and Equipment              | (134,270,738)   |
| Investment Property                        | 368,881,434     |
| Intangible Assets                          | (401,513)       |
| Investments                                | 9,106,305       |
| Inventories                                | (9,049,159)     |
| Receivables from non-exchange transactions | 3,134,910       |
| Value Added Taxation                       | (7,106,134)     |
| Other current financial assets             | 60,961,731      |
| Consumer debtors                           | (24,388,961)    |
| Bank balances and cash                     | (1,220,749)     |
| Payables from exchange transactions        | 5,889,713       |
| Employee benefit obligation                | (21,333,959)    |
| Unspent conditional grants and receipts    | (5,688,646)     |
| Provisions                                 | (38,555,629)    |
| Creditors unallocated deposits             | 236,426         |
| Accruals staff bonus                       | 1,206,202       |
| Current portion of borrowings              | (575,190)       |
| Bank overdraft                             | (167,729)       |
| Opening Accumulated Surplus or Deficit     | (1,208,552,002) |
| Revaluation Reserve                        | 1,001,893,687   |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

Figures in Rand

|   | 2014         | 2013 |
|---|--------------|------|
| <b>Statement of Financial Performance</b>                   |              |      |
| Service charges   | (655,422)    |      |
| Income from agency services                                 | (10,255,540) |      |
| Fees earned   | 188          |      |
| Other income  | (8,796,131)  |      |
| Interest received/investment                                | 2,623,373    |      |
| Government grants and subsidies                             | 103,472,869  |      |
| Fines   | 1,035,325    |      |
| Employee related costs                                      | 1,088,129    |      |
| Remuneration of councillors                                 | 1,413,219    |      |
| Depreciation and amortisation                               | (12,480,230) |      |
| Impairment loss or reversal of impairments                  | 1,988,733    |      |
| Finance costs   | (30,081)     |      |
| Repairs and maintenance                                     | (27,263)     |      |
| Contracted services   | 20,989,862   |      |
| Grants and subsidies paid                                   | (14,759,334) |      |
| General expenses  | 19,827,526   |      |
| Fair value adjustments                                      | 36,987,800   |      |
| Loss on non-current assets held for sale or disposal groups | (9,216,000)  |      |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                                     |                              |                    | 2014           | 2013  |
|---|------------------------------|--------------------|----------------|---|
| <b>Category</b>                                     | <b>30 June 2012 Restated</b> | <b>Adjustments</b> | <b>Audited</b> | <b>Reason</b>   |
| Current Assets                                      | 1,200                        | -                  | -              | -   |
| Inventories   | 3,512,942                    | 9,049,159          | 12,562,101     | -   |
| Other receivables from exchange transactions        | 79,637,024                   | -                  | 18,596,432     | - Adjustments as per age analysis   |
| Other receivables from non-exchange transactions    | 21,731,342                   | -                  | -              | - Reclassification error  |
| Val receivable                                      | 2,915,245                    | (7,105,134)        | 10,021,379     | - Adjustments as per SARS statements  |
| Other financial assets                              | -                            | 24,388,961         | 24,388,961     | - Correction of the opening balance against the AD  |
| Cash and cash equivalents                           | 1,142,080                    | (1,220,750)        | 2,362,829      | - Mapped with the bank items  |
| Non Current Assets                                  | 108,938,632                  | (1,220,750)        | 67,931,702     | -   |
| Property, plant and equipment                       | 1,200                        | -                  | -              | -   |
| Investment property                                 | 897,719,136                  | 100,467,768        | 998,186,904    | - Reclassification of investment property, reclassified items from investment   |
| Long term investments                               | 369,091,634                  | -                  | -              | - Reclassified investment property  |
| Long term investments                               | 1,245,685                    | 188,618            | 1,057,067      | - Recognition of initial investment and the charges   |
| Long term investments                               | 8,917,688                    | 613,486            | 8,304,202      | - Correction of errors in the prior year  |
| Long term investments                               | 1,057,067                    | -                  | -              | 8,345,311 9402378   |
| Total Assets  | 1,276,974,143                | -                  | 1,075,479,875  | -   |
| Current Liabilities                                 | 1,200                        | -                  | -              | -   |
| Trade and other payables from exchange transactions | (254,774,768)                | 5,889,716          | (260,664,484)  | - Correction of incorrectly processed journals to the creditors vote. Retentions and unidentified deposits                    |
| Consumer deposits                                   | (3,889,659)                  | -                  | (3,889,659)    | - (3,889,659)   |
| Conditional grants and receipts                     | (12,356,454)                 | (5,688,646)        | (6,667,808)    | - Correct recognition of revenue as per the register, correct the liability vote. This includes the 9700 MIG expenditure vote |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                    |               |              |               | 2014   | 2013         |
|------------------------------------|---------------|--------------|---------------|--|--------------|
| Provisions                         | (13,916,080)  | (10,723,469) | (24,639,549)  | -  | -            |
| Bank overdraft                     | (167,729)     | (167,729)    | -             | -  | -            |
| Current portion of long term loan  | (575,190)     | (67,695)     | (507,495)     | -  | -            |
| Defined obligation                 | (21,333,959)  | -            | -             | -  | -            |
| Non current liabilities            | 1,200         | -            | -             | -  | -            |
| Long term liability                | (8,599,791)   | -            | -             | (507,495)  | (9,107,286)  |
| Defined benefit obligations        | -             | -            | -             | (22,540,161)   | (22,540,161) |
| Current liabilities                | (307,013,840) | (10,757,823) | (296,368,995) | -  | -            |
| Long term liability                | (8,599,791)   | -            | (8,599,791)   | -  | -            |
| Total liabilities                  | (315,613,631) | -            | (304,968,786) | -  | -            |
| Donations and public contributions | -             | -            | -             | -  | -            |
| Property rates                     | 38,105,672    | 7,812,410    | 30,293,463    | -  | -            |
| Service Charges                    | 139,692,068   | (720,394)    | 138,971,674   | -  | -            |
| Rental of facilities and equipment | 489,546       | -            | 489,546       | -  | -            |
| Income from agency services        | 19,380,439    | 10,255,540   | 9,124,899     | -  | -            |
| Government grants and subsidies    | 102,472,869   | 13,518,179   | 116,991,018   | -  | -            |
| Other income                       | 12,344,042    | 9,763,468    | 2,580,574     | -  | -            |
| Fines                              | 1,034,825     | 62,343       | 1,097,168     | -  | -            |
| Fees earned                        | -             | -            | 188           | -  | -            |
| Interest on investments            | 650,094       | 2,623,373    | 3,273,467     | -  | -            |
| Total Income                       | 315,169,755   | -            | 302,822,027   | -  | -            |
| Employee related costs             | (106,967,181) | (9,491,160)  | (97,476,021)  | -  | -            |
| Remuneration of councillors        | (7,226,485)   | (50,435)     | (7,176,050)   | -  | -            |
| Depreciation and amortisation      | (44,729,070)  | (541,897)    | (44,187,173)  | -  | -            |
|                                    |               |              |               | - Difference between caseware and sebeta                       | -            |
|                                    |               |              |               | - Reclassification to other income                             | -            |
|                                    |               |              |               | - Reclassification of rate penalties                           | -            |
|                                    |               |              |               | - Leave provisions journals processed against leave paid       | -            |
|                                    |               |              |               | - Difference between caseware and sebeta/classification error. | -            |
|                                    |               |              |               | - Adjustments on land file sites                               | -            |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand               | 2014                 | 2013                |  |
|-------------------------------|----------------------|---------------------|--|
| Finance costs                 | (12,129,175)         | (12,129,175)        | - Adjustment on vat vote/interest on overdue account |
| Repairs and maintenance       | (20,610,011)         | (43,930)            | (20,653,941)   |
| Bulk purchases                | (109,214,732)        | (109,214,732)       | - Difference between caseware and sebeta             |
| Contracted services           | (74,330,645)         | (17,781,637)        | (50,549,008)   |
| Other expenses                | (85,507,302)         | (166,594,898)       | (68,848,204)   |
| Total expenditure             | (460,714,602)        | (461,234,304)       | -  |
| Loss on sale of assets        | 17,544               | (9,216,000)         | 9,233,544  |
| Surplus(deficit) for the year | (45,527,303)         | (122,628,277)       | 17,544   |
|                               | <b>1,388,447,074</b> | <b>(47,544,426)</b> | <b>914,916,054</b>                                   |
|                               | <b>(5,468,801)</b>   | <b>(26,117,183)</b> |  |

#### 39. Risk Management

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

#### 40. Going concern

We draw attention to the fact that at 30 June 2014, the municipality incurred a operating loss of R 66 070,09 before the fair value adjustment of R 147 470 477 during the year ended 30 June 2014 and as of that date the municipal current liabilities exceeded the total assets by R274 954 042.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### **Notes to the Annual Financial Statements**

Figures in Rand

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#### **41. Events after the reporting date**

Disclose for each material category of non-adjusting events after the reporting date:

- \* nature of the event;
- \* estimation of its financial effect or a statement that such an estimation cannot be made.

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand   | 2014        | 2013       |
|---|-------------|------------|
| <b>42. Fruitless and Wasteful Expenditure</b>   |             |            |
| Opening Balance   | 1,522,701   | -          |
| Add: Fruitless & Wasteful Expenditure Current   | 10,109,296  | 1,522,701  |
| Awaiting Council Condonment   | 11,631,999  | 1,522,701  |
| Fruitless and wasteful expenditure for the year relates to interest charged on overdue accounts due to financial constraints of the municipality. |             |            |
| <b>43. Irregular Expenditure</b>  |             |            |
| Opening balance   | 76,673,339  | -          |
| Add: Irregular Expenditure - Current Year   | 73,898,931  | 76,673,339 |
| Awaiting Council Condonment   | 150,572,270 | 76,673,339 |

## Thaba Chweu Local Municipality

(Registration number MP221)

Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand  | 2014   | 2013      |
|--|--|-----------|
| <b>Details of irregular expenditure - current year</b> |  |           |
| Zwelande Trading                                       | Disciplinary steps taken/criminal proceedings<br>Supply Chain procedures not followed - Referred to MPAC for investigation | 129,000   |
| Othom Investment                                       | Supply Chain procedures not followed - Referred to MPAC for investigation  | 447,134   |
| Elihu Suppliers  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 172,000   |
| Waste Legends  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 178,752   |
| Simoni Billy Trading                                   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 395,790   |
| Buda Transport   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 83,600    |
| Born To Protect  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 190,090   |
| Pndop Security Service                                 | Supply Chain procedures not followed - Referred to MPAC for investigation  | 636,238   |
| Bothila Trading  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 598,500   |
| Moriba Trading T/A Moriba Security                     | Supply Chain procedures not followed - Referred to MPAC for investigation  | 554,700   |
| Vuthela Security                                       | Supply Chain procedures not followed - Referred to MPAC for investigation  | 749,742   |
| Mathata Security                                       | Supply Chain procedures not followed - Referred to MPAC for investigation  | 1,090,132 |
| MWL Solution   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 12,312    |
| MM Mkhonto Construction                                | Supply Chain procedures not followed - Referred to MPAC for investigation  | 87,616    |
| Niswari Projects                                       | Supply Chain procedures not followed - Referred to MPAC for investigation  | 64,400    |
| Phanda Phendile Klosmarts J.V                          | Supply Chain procedures not followed - Referred to MPAC for investigation  | 265,200   |
| Skhila Driving School                                  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 115,010   |
| MMT Projects   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 704,000   |
| Mathata Security                                       | Supply Chain procedures not followed - Referred to MPAC for investigation  | 340,471   |
| Jesita Business  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 230,376   |
| Thandumusa Security Services                           | Supply Chain procedures not followed - Referred to MPAC for investigation  | 121,110   |
| Kgalemelang Security                                   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 195,280   |
| Hlambis Investment                                     | Supply Chain procedures not followed - Referred to MPAC for investigation  | 71,250    |
| Ntshidi & Associates                                   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 741,918   |
| Born To Protect  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 95,044    |
| Moriba trading T/A Moriba Security                     | Supply Chain procedures not followed - Referred to MPAC for investigation  | 130,040   |
| Vuthela Africa   | Supply Chain procedures not followed - Referred to MPAC for investigation  | 228,000   |
| Bothila Trading  | Supply Chain procedures not followed - Referred to MPAC for investigation  | 199,250   |

## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                    |   | 2014      | 2013 |
|------------------------------------|---|-----------|------|
| CES Security                       | Supply Chain procedures not followed - Referred to MPAC for investigation | 171,856   |      |
| Pridop Security Services           | Supply Chain procedures not followed - Referred to MPAC for investigation | 154,306   |      |
| Mathata Security services          | Supply Chain procedures not followed - Referred to MPAC for investigation | 204,595   |      |
| Othom Investment                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 223,567   |      |
| Magoveni Holdings                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 410,400   |      |
| Othom Investment                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 223,567   |      |
| Elthu Suppliers                    | Supply Chain procedures not followed - Referred to MPAC for investigation | 43,000    |      |
| Bothala Trading                    | Supply Chain procedures not followed - Referred to MPAC for investigation | 100,000   |      |
| Pridop Security Service            | Supply Chain procedures not followed - Referred to MPAC for investigation | 163,812   |      |
| MMI Solution                       | Supply Chain procedures not followed - Referred to MPAC for investigation | 36,537    |      |
| Zwelande Trading                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 43,000    |      |
| MM Mkhonto Construction            | Supply Chain procedures not followed - Referred to MPAC for investigation | 41,456    |      |
| Simon Billy Trading                | Supply Chain procedures not followed - Referred to MPAC for investigation | 197,895   |      |
| CES Security                       | Supply Chain procedures not followed - Referred to MPAC for investigation | 200,000   |      |
| Leropix                            | Supply Chain procedures not followed - Referred to MPAC for investigation | 40,000    |      |
| Kgalemelang Security               | Supply Chain procedures not followed - Referred to MPAC for investigation | 122,800   |      |
| Moriba Trading T/A Moriba Security | Supply Chain procedures not followed - Referred to MPAC for investigation | 100,000   |      |
| Buda Transport                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 29,900    |      |
| Ntswari Projects                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 46,150    |      |
| Mathata Security                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 340,472   |      |
| Skhila Driving School              | Supply Chain procedures not followed - Referred to MPAC for investigation | 66,300    |      |
| Phanda Phandile Kilosmart J.V      | Supply Chain procedures not followed - Referred to MPAC for investigation | 88,400    |      |
| MMT Projects                       | Supply Chain procedures not followed - Referred to MPAC for investigation | 352,000   |      |
| Vuthelab Africa                    | Supply Chain procedures not followed - Referred to MPAC for investigation | 205,742   |      |
| Khoslithi Clearing & Consulting    | Supply Chain procedures not followed - Referred to MPAC for investigation | 67,455    |      |
| Eco-Mare                           | Supply Chain procedures not followed - Referred to MPAC for investigation | 1,200,000 |      |
| Full Output                        | Supply Chain procedures not followed - Referred to MPAC for investigation | 10,000    |      |
| Full output                        | Supply Chain procedures not followed - Referred to MPAC for investigation | 70,000    |      |
| MMT Project                        | Supply Chain procedures not followed - Referred to MPAC for investigation | 200,000   |      |
| Phanda Phandile                    | Supply Chain procedures not followed - Referred to MPAC for investigation | 88,400    |      |

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| Figures in Rand                  |   | 2014      | 2013 |
|----------------------------------|---|-----------|------|
| Full output                      | Supply Chain procedures not followed - Referred to MPAC for investigation | 32,526    |      |
| Thandumusa Security              | Supply Chain procedures not followed - Referred to MPAC for investigation | 133,850   |      |
| Vuthela Africa Security          | Supply Chain procedures not followed - Referred to MPAC for investigation | 312,474   |      |
| Mathata security                 | Supply Chain procedures not followed - Referred to MPAC for investigation | 181,734   |      |
| Kgalemelang Security             | Supply Chain procedures not followed - Referred to MPAC for investigation | 77,800    |      |
| Bothila Trading                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 228,000   |      |
| Simon Billy Trading              | Supply Chain procedures not followed - Referred to MPAC for investigation | 65,949    |      |
| Skhila Driving School            | Supply Chain procedures not followed - Referred to MPAC for investigation | 30,550    |      |
| MM Mkhonto Construction          | Supply Chain procedures not followed - Referred to MPAC for investigation | 57,097    |      |
| Ntswani Projects                 | Supply Chain procedures not followed - Referred to MPAC for investigation | 43,550    |      |
| Buda Transport                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 46,800    |      |
| Full Output                      | Supply Chain procedures not followed - Referred to MPAC for investigation | 72,048    |      |
| CCS Security                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 118,360   |      |
| Pridop Security                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 197,505   |      |
| Eco-mare                         | Supply Chain procedures not followed - Referred to MPAC for investigation | 391,354   |      |
| CES Security                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 118,360   |      |
| Morbo Trading T/A Morbo Security | Supply Chain procedures not followed - Referred to MPAC for investigation | 189,240   |      |
| Mathata Security                 | Supply Chain procedures not followed - Referred to MPAC for investigation | 166,315   |      |
| Kgalemelang                      | Supply Chain procedures not followed - Referred to MPAC for investigation | 122,800   |      |
| Born To Protect                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 91,118    |      |
| Vuthela Africa                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 150,000   |      |
| Pridop Security                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 150,000   |      |
| Bothila Trading                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 150,000   |      |
| Pimulakwa Office                 | Supply Chain procedures not followed - Referred to MPAC for investigation | 190,981   |      |
| Mathata Security                 | Supply Chain procedures not followed - Referred to MPAC for investigation | 1,020,572 |      |
| Avis Van Rental                  | Supply Chain procedures not followed - Referred to MPAC for investigation | 100,377   |      |
| Waste Legends                    | Supply Chain procedures not followed - Referred to MPAC for investigation | 103,854   |      |
| Skhila Driving School            | Supply Chain procedures not followed - Referred to MPAC for investigation | 73,850    |      |
| MM Mkhonto Construction          | Supply Chain procedures not followed - Referred to MPAC for investigation | 149,643   |      |
| Ntswani Projects                 | Supply Chain procedures not followed - Referred to MPAC for investigation | 80,600    |      |

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(Registration number MP321)

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| Figures in Rand                    |   | 2014      | 2013 |
|------------------------------------|---|-----------|------|
| Moriba Trading T/A Moriba Security | Supply Chain procedures not followed - Referred to MPAC for investigation | 91,620    |      |
| Buda Transport                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 163,800   |      |
| Mashata Security                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 852,140   |      |
| AMT Project                        | Supply Chain procedures not followed - Referred to MPAC for investigation | 200,000   |      |
| Pridop Security                    | Supply Chain procedures not followed - Referred to MPAC for investigation | 1,019,468 |      |
| Avis Rental                        | Supply Chain procedures not followed - Referred to MPAC for investigation | 50,507    |      |
| Zwelande Trading                   | Supply Chain procedures not followed - Referred to MPAC for investigation | 43,000    |      |
| Kgalemelang                        | Supply Chain procedures not followed - Referred to MPAC for investigation | 122,800   |      |
| Vuthela Africa                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 312,474   |      |
| Vuthela Africa                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 328,000   |      |
| Moriba Trading T/A Moriba Security | Supply Chain procedures not followed - Referred to MPAC for investigation | 189,240   |      |
| Avis                               | Supply Chain procedures not followed - Referred to MPAC for investigation | 51,414    |      |
| Vuthela Africa                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 328,000   |      |
| Vuthela Africa                     | Supply Chain procedures not followed - Referred to MPAC for investigation | 328,000   |      |
| Thandumusa Security                | Supply Chain procedures not followed - Referred to MPAC for investigation | 124,808   |      |
| Ugezi Automation                   | Emergency   | 300,000   |      |
| Tipp Focus                         | Emergency   | 1,090,596 |      |
| Leblanc Jasco (Pty) Ltd            | Emergency   | 104,535   |      |
| Phenylene Sediba Consulting        | Bids not advertised for adequate number of days                           | 502,213   |      |
| MNP Electrical                     | Bids not advertised for adequate number of days                           | 608,862   |      |
| Big J Electrical                   | Bids not advertised for adequate number of days                           | 865,078   |      |
| Chauke Electrical                  | Bids not advertised for adequate number of days                           | 335,651   |      |
| Bonatea Investments                | Bids not advertised for adequate number of days                           | 3,344,204 |      |
| PNG Civils                         | Bids not advertised for adequate number of days                           | 2,766,328 |      |
| Tusa Consulting                    | Bids not advertised for adequate number of days                           | 474,363   |      |
| Thabatho Trading                   | Supplier did not Declare Interest   | 15,230    |      |
| Buscor (Pty) Ltd                   | Supplier not in the list of accredited service providers                  | 11,898    |      |
| Lilataka Development & Trading     | Supplier not in the list of accredited service providers                  | 26,000    |      |
| Ian Dickie                         | Supplier not in the list of accredited service providers                  | 16,985    |      |
| 4 U Office National                | Supplier not in the list of accredited service providers                  | 165,277   |      |
| Maholane Transport                 | Supplier not in the list of accredited service providers                  | 14,000    |      |
| Meodi Chartered Accountants        | Supplier not in the list of accredited service providers                  | 188,100   |      |
| Kgotsofalang Trading               | Supplier not in the list of accredited service providers                  | 10,357    |      |
| Waltons Stationers Co.             | Supplier not in the list of accredited service providers                  | 20,520    |      |
| Tim Trading                        | Supplier did not declare their Interest                                   | 1,063,175 |      |
| Tornel Props                       | Supplier did not declare their interest                                   | 134,976   |      |
| Tornel Props                       | Supplier did not declare their interest                                   | 51,072    |      |

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### Notes to the Annual Financial Statements

| Figures in Rand             | 2014      | 2013       |
|-----------------------------|-----------|------------|
| Harrison and Chally Trading | 37,000    |            |
| Tim Trading                 | 90,853    |            |
| Lutsala Group of Companies  | 81,196    |            |
| Mlopho Trading cc           | 191,300   |            |
| Mohlolgarudi Trading        | 128,500   |            |
| Mendi Chartered Accountants | 176,700   |            |
| Dawson and Dobson           | 168,423   |            |
| Prime Tym Trading           | 366,314   |            |
| Tswelela O Bonate Trading   | 131,314   |            |
| Yothasi Trading             | 4,534,038 |            |
| Ntshidi and Associates      | 9,384,572 |            |
| Zwelande Trading            | 1,290,000 |            |
| Morbo Trading               | 7,798,443 |            |
| MNP Consulting Engineers    | 967,006   |            |
| Briaton Bricks              | 8,045,222 |            |
| La Fancy Kay                | 495,000   |            |
| Magoeneni Holdings          | 2,500,000 |            |
| Interlex Business Solution  | 1,918,795 |            |
| Employee Cost               | 87,146    |            |
| Employee Cost               | 253,547   |            |
|                             |           | 73,898,932 |

## Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2014

### Notes to the Annual Financial Statements

| Figures in Rand                                     |                      | 2014    | 2013 |
|---|----------------------|---------|------|
| <b>44. Deviations from supply chain regulations</b> |                      |         |      |
| Vendor name   | Reason for deviation | Amount  |      |
| Tswela Obonale                                      | Emergency            | 135,314 |      |
| SITA  | Single supplier      | 3,597   |      |
| Sebata Municipal Solutions                          | Single supplier      | 6,000   |      |
| Matsaphi Projects                                   | Single supplier      | 497,952 |      |
| Prime Tym Holdings                                  | Emergency            | 366,313 |      |
| Sbongiseni Security                                 | Emergency            | 54,720  |      |
| Naliko ke Diala                                     | Emergency            | 273,668 |      |
| CQS Technology Holdings                             | Single Supplier      | 46,180  |      |
| Sbongiseni Security                                 | Emergency            | 54,720  |      |
| Sbongiseni Security                                 | Emergency            | 180,000 |      |
| Sbongiseni Security                                 | Emergency            | 54,720  |      |
| Sbongiseni Security                                 | Emergency            | 180,000 |      |
| Bezimix Enterprise                                  | Emergency            | 297,535 |      |
| Phungo Incorporated                                 | Emergency            | 200,826 |      |
| Sbongiseni Security                                 | Emergency            | 180,000 |      |
| Pitney Bowes  | Single Supplier      | 7,410   |      |
| Lithotech   | Single supplier      | 11,385  |      |
| MCC Security Projects                               | Emergency            | 100,000 |      |
| Tim Chauke Attorneys                                | Emergency            | 352,670 |      |
| Lydenburg Toyota                                    | Emergency            | 37,423  |      |
| iChain Technologies                                 | Single Supplier      | 529,644 |      |
| Lybasol   | Single supplier      | 4,739   |      |
| Dawson and Dobson                                   | Emergency            | 52,951  |      |
| Macbeth Ncongwane Attorneys                         | Emergency            | 704,291 |      |
| Matsane Attorneys                                   | Emergency            | 77,250  |      |
| Phungo Incorporated                                 | Emergency            | 63,612  |      |
| Phungo Incorporated                                 | Emergency            | 132,662 |      |
| Phungo Incorporated                                 | Emergency            | 147,145 |      |
| Tim Trading   | Emergency            | 2,505   |      |
| Tornel Props  | Emergency            | 15,595  |      |
| Tornel Props  | Emergency            | 20,920  |      |
| Abs Electrical Contractors                          | Emergency            | 28,158  |      |
| ENS Forensics                                       | Single Supplier      | 91,214  |      |
| Zamengwane Water Technologies                       | Single Supplier      | 155,773 |      |
| Matsapa Projects                                    | Emergency            | 433,200 |      |
| Hon   | Emergency            | 27,960  |      |
| Kempton Park Bakkie Hire                            | Emergency            | 73,450  |      |
| Dawson and Dobson                                   | Emergency            | 5,233   |      |
| Dawson and Dobson                                   | Emergency            | 56,544  |      |
| Dawson and Dobson                                   | Emergency            | 15,461  |      |
| Bezimix   | Emergency            | 189,553 |      |
| Full Output   | Emergency            | 150,000 |      |
| Mahllo ke Diala                                     | Emergency            | 87,210  |      |
| GLA Mining and Engineering                          | Emergency            | 17,328  |      |
| Dawson and Dobson                                   | Emergency            | 168,424 |      |
| Truvelo Manufacturer                                | Emergency            | 37,637  |      |
| CQS Technology Holdings                             | Single Supplier      | 21,778  |      |
| Government Printing Works                           | Single Supplier      | 38,450  |      |
| CQS Technology Holdings                             | Single Supplier      | 55,222  |      |
| CQS Technology Holdings                             | Single Supplier      | 12,221  |      |
| GLA Mining and Engineering                          | Emergency            | 122,158 |      |
| LED Electrical                                      | Emergency            | 6,628   |      |
| Full Output   | Emergency            | 135,250 |      |
| TS Promotion  | Emergency            | 1,500   |      |
| Mash FM   | Single Supplier      | 6,770   |      |
| Mash FM   | Single Supplier      | 11,050  |      |
| Mash FM   | Single Supplier      | 2,200   |      |

## Thaba Chweu Local Municipality

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### Notes to the Annual Financial Statements

| Figures in Rand                       | 2014            | 2013      |
|---------------------------------------|-----------------|-----------|
| Mash FM                               | Single Supplier | 13,500    |
| Mash FM                               | Single Supplier | 11,250    |
| Makro Nelspruit                       | Emergency       | 26,347    |
| Tornel Props                          | Emergency       | 18,240    |
| Minji Print Nelspruit                 | Single Supplier | 15,900    |
| Minji Print Nelspruit                 | Single Supplier | 15,900    |
| Minji Print Nelspruit                 | Single Supplier | 115,745   |
| AC Electromech Main                   | Emergency       | 53,384    |
| Terence Trading Projects & Enterprise | Emergency       | 5,800     |
| Dawson and Dobson                     | Emergency       | 5,022     |
| Dawson and Dobson                     | Emergency       | 5,306     |
| Dawson and Dobson                     | Emergency       | 7,511     |
| Dawson and Dobson                     | Emergency       | 4,783     |
| Sbongiseni Security                   | Emergency       | 180,000   |
| Mahlolo ke Diala                      | Emergency       | 72,230    |
| Blaye Canyon Forever Resort           | Impracticality  | 4,800     |
| Interlex Business Consultant          | Emergency       | 3,000,000 |
|                                       |                 | 9,747,637 |

#### 45. Budget differences

##### Material differences between budget and actual amounts

###### 44.1 Income from agency services

More licences were issued than budgeted for.

###### 44.2 Other income

Interest from arrear accounts were included in interest received on the budget.

###### 44.3 Fines

Contract for external supplier reviewed and in this time court roles lapsed resulting in less fines being paid.

###### 44.4 Personnel

Overtime and standby allowances was more than anticipated due to technical maintenance,

44.5

###### Depreciation and amortisation

Final asset register was not completed by the time the budget was approved by council.

###### 44.6 Finance costs

Interest on overdue due accounts included in finance costs were not budgeted for.

###### 44.7 Debt impairment

Variance as a result of more consumer accounts identified to be impaired as anticipated

###### 44.8 Repairs and maintenance

Less technical repairs than anticipated.

###### 44.9 Bulk purchases

Incorrectly budgeted for arrear payments that should not have been.

###### 44.10 Contracted services

Underbudgeting for contracted services.

###### 44.11 General expenses

Implementation of cost curtailment measures during current financial year.

###### 44.12 Fair value adjustments

Fair value adjustments relates to adjustments made to investment property for prior periods

**Appendix A**  
March 2014

**Schedule of external loans as at 31 March 2014**

| Loan<br>Number              | Redeemable | Balance at<br>31 March<br>2013 |             | Received<br>during the<br>period | Redeemed<br>written off<br>during the<br>period | Balance at<br>31 March<br>2014 |      | Carrying<br>Value of<br>Property,<br>Plant &<br>Equip-<br>ment<br>Rand | Other Costs<br>in<br>accordance<br>with the<br>MFMA<br>Rand |
|-----------------------------|------------|--------------------------------|-------------|----------------------------------|---|--------------------------------|------|--|---|
|                             |            | Rand                           | Rand        |                                  |   | Rand                           | Rand |  |   |
| <b>Long term loan</b>       |            |                                |             |                                  |   |                                |      |  |   |
|                             |            | 8,599,791                      | (8,599,791) |                                  | -   | -                              | -    | -  | -   |
| <b>Total external loans</b> |            |                                |             |                                  |   |                                |      |  |   |
| <b>Long term loans</b>      |            | 8,599,791                      | (8,599,791) | -                                | -   | -                              | -    | -  | -   |
| <b>Long term loans</b>      |            |                                |             |                                  |   |                                |      |  |   |
|                             |            | 8,599,791                      | (8,599,791) | -                                | -   | -                              | -    | -  | -   |

## Appendix B

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**Analysis of property, plant and equipment as at 30 June 2014**

| <b>Cost/Revaluation</b> | <b>Accumulated depreciation</b> |
|-------------------------|---------------------------------|
|-------------------------|---------------------------------|

**Appendix B**  
March 2014

**Analysis of property, plant and equipment as at 30 June 2014**

**Cost/Revaluation**

**Accumulated depreciation**

| Operating<br>Balances<br>Period      | Retirement<br>Balances<br>Period | Carryover<br>Balances<br>Period | Transfers<br>Period | Revaluation<br>Balances<br>Period | Other changes<br>in carrying<br>amounts<br>Reported | Carrying<br>Balances<br>Reported | Operating<br>Balances<br>Reported | The period<br>ended<br>Balances<br>Reported | Transfers<br>Period | Revaluation<br>Balances<br>Period | Retirement<br>Balances<br>Period | Operating<br>Balances<br>Reported |
|--------------------------------------|----------------------------------|---------------------------------|---------------------|-----------------------------------|---|----------------------------------|-----------------------------------|---|---------------------|-----------------------------------|----------------------------------|-----------------------------------|
| <b>Property, plant and equipment</b> |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Buildings                            |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Land                                 |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Plant and equipment                  |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Buildings                            | 1,095,100                        | 1,095,100                       | -                   | 436,100                           | 1,531,200   | 1,531,200                        | 1,531,200                         | 1,531,200                                   | -                   | 1,531,200                         | 1,531,200                        | 1,531,200                         |
| Plant and equipment                  | 2,106,113                        | 2,106,113                       | -                   | 63,463                            | 2,169,576   | 2,169,576                        | 2,169,576                         | 2,169,576                                   | -                   | 2,169,576                         | 2,169,576                        | 2,169,576                         |
| Less accumulated depreciation        | 1,095,100                        | 1,095,100                       | -                   | 1,047,700                         | 117,476   | 117,476                          | 117,476                           | 117,476                                     | -                   | 117,476                           | 117,476                          | 117,476                           |
| Net amount                           | 1,095,100                        | 1,095,100                       | -                   | 1,047,700                         | 117,476   | 117,476                          | 117,476                           | 117,476                                     | -                   | 117,476                           | 117,476                          | 117,476                           |
| <b>Construction in progress</b>      |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Buildings                            | 1,200,000                        | 1,200,000                       | -                   | 1,200,000                         | 1,200,000   | 1,200,000                        | 1,200,000                         | 1,200,000                                   | -                   | 1,200,000                         | 1,200,000                        | 1,200,000                         |
| Less accumulated depreciation        | 1,200,000                        | 1,200,000                       | -                   | 1,200,000                         | 1,200,000   | 1,200,000                        | 1,200,000                         | 1,200,000                                   | -                   | 1,200,000                         | 1,200,000                        | 1,200,000                         |
| Net amount                           | 1,200,000                        | 1,200,000                       | -                   | 1,200,000                         | 1,200,000   | 1,200,000                        | 1,200,000                         | 1,200,000                                   | -                   | 1,200,000                         | 1,200,000                        | 1,200,000                         |
| <b>Leased assets</b>                 |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Buildings                            | 1,095,100                        | 1,095,100                       | -                   | 436,100                           | 1,531,200   | 1,531,200                        | 1,531,200                         | 1,531,200                                   | -                   | 1,531,200                         | 1,531,200                        | 1,531,200                         |
| Less accumulated depreciation        | 1,095,100                        | 1,095,100                       | -                   | 1,047,700                         | 117,476   | 117,476                          | 117,476                           | 117,476                                     | -                   | 117,476                           | 117,476                          | 117,476                           |
| Net amount                           | 1,095,100                        | 1,095,100                       | -                   | 436,100                           | 1,531,200   | 1,531,200                        | 1,531,200                         | 1,531,200                                   | -                   | 1,531,200                         | 1,531,200                        | 1,531,200                         |
| <b>Construction in progress</b>      |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Buildings                            | 1,200,000                        | 1,200,000                       | -                   | 1,200,000                         | 1,200,000   | 1,200,000                        | 1,200,000                         | 1,200,000                                   | -                   | 1,200,000                         | 1,200,000                        | 1,200,000                         |
| Less accumulated depreciation        | 1,200,000                        | 1,200,000                       | -                   | 1,200,000                         | 1,200,000   | 1,200,000                        | 1,200,000                         | 1,200,000                                   | -                   | 1,200,000                         | 1,200,000                        | 1,200,000                         |
| Net amount                           | 1,200,000                        | 1,200,000                       | -                   | 1,200,000                         | 1,200,000   | 1,200,000                        | 1,200,000                         | 1,200,000                                   | -                   | 1,200,000                         | 1,200,000                        | 1,200,000                         |
| <b>Less accumulated depreciation</b> |                                  |                                 |                     |                                   |   |                                  |                                   |   |                     |                                   |                                  |                                   |
| Buildings                            | 1,095,100                        | 1,095,100                       | -                   | 436,100                           | 1,531,200   | 1,531,200                        | 1,531,200                         | 1,531,200                                   | -                   | 1,531,200                         | 1,531,200                        | 1,531,200                         |
| Less accumulated depreciation        | 1,095,100                        | 1,095,100                       | -                   | 1,047,700                         | 117,476   | 117,476                          | 117,476                           | 117,476                                     | -                   | 117,476                           | 117,476                          | 117,476                           |
| Net amount                           | 1,095,100                        | 1,095,100                       | -                   | 436,100                           | 1,531,200   | 1,531,200                        | 1,531,200                         | 1,531,200                                   | -                   | 1,531,200                         | 1,531,200                        | 1,531,200                         |

**Appendix B**  
30 June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**      **Accumulated depreciation**

| Carrying amount<br>Period                      | Additions<br>Period | Reductions<br>Period | Disposals<br>Period | Revaluations<br>Period | Other increases<br>Period | Write-off<br>Period | Opening<br>balance<br>Period | Decreases<br>Period | Gains/losses<br>Period | Disposals<br>Period | Revaluations<br>Period | Other decreases<br>Period | Closing<br>balance<br>Period |
|--|---------------------|----------------------|---------------------|------------------------|---------------------------|---------------------|------------------------------|---------------------|------------------------|---------------------|------------------------|---------------------------|------------------------------|
| <b>Total for property, plant and equipment</b> |                     |                      |                     |                        |                           |                     |                              |                     |                        |                     |                        |                           |                              |
| Land and buildings                             | \$8,244,200         | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$8,244,200                  | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$8,244,200                  |
| Less accumulated depreciation                  | (7,737,219)         | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | (7,737,219)                  | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | (7,737,219)                  |
| Less impairment losses                         | (1,241,010)         | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | (1,241,010)                  | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | (1,241,010)                  |
| Less right-of-use assets                       | \$2,266,971         | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$2,266,971                  | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$2,266,971                  |
| Carrying amount                                | \$2,266,971         | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$2,266,971                  | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$2,266,971                  |
| Less accumulated depreciation                  | \$1,608,513         | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | (1,608,513)                  | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | (1,608,513)                  |
| Less impairment losses                         | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| <b>Total for property, plant and equipment</b> | <b>\$1,658,458</b>  | <b>\$0</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$0</b>          | <b>\$1,658,458</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$1,658,458</b>           |
| <b>Less accumulated depreciation</b>           |                     |                      |                     |                        |                           |                     |                              |                     |                        |                     |                        |                           |                              |
| Land and buildings                             | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less impairment losses                         | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less accumulated depreciation                  | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| <b>Total for property, plant and equipment</b> | <b>\$1,658,458</b>  | <b>\$0</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$0</b>          | <b>\$1,658,458</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$1,658,458</b>           |
| <b>Less impairment losses</b>                  |                     |                      |                     |                        |                           |                     |                              |                     |                        |                     |                        |                           |                              |
| Land and buildings                             | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less impairment losses                         | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less impairment losses                         | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| <b>Total for property, plant and equipment</b> | <b>\$1,658,458</b>  | <b>\$0</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$0</b>          | <b>\$1,658,458</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$1,658,458</b>           |
| <b>Less right-of-use assets</b>                |                     |                      |                     |                        |                           |                     |                              |                     |                        |                     |                        |                           |                              |
| Land and buildings                             | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| <b>Total for property, plant and equipment</b> | <b>\$1,658,458</b>  | <b>\$0</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$0</b>          | <b>\$1,658,458</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$1,658,458</b>           |
| <b>Total for property, plant and equipment</b> |                     |                      |                     |                        |                           |                     |                              |                     |                        |                     |                        |                           |                              |
| Land and buildings                             | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less accumulated depreciation                  | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less impairment losses                         | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| Less right-of-use assets                       | \$0                 | \$0                  | \$0                 | \$0                    | \$0                       | \$0                 | \$0                          | \$0                 | \$0                    | \$0                 | \$0                    | \$0                       | \$0                          |
| <b>Total for property, plant and equipment</b> | <b>\$1,658,458</b>  | <b>\$0</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$0</b>          | <b>\$1,658,458</b>           | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>                | <b>\$1,658,458</b>           |

## Appendix B

**Analysis of property, plant and equipment as at 30 June 2013**

| Cost/Revaluation | Accumulated depreciation |
|------------------|--------------------------|
|                  |                          |

Appendix B

**Analysis of property, plant and equipment as at 30 June 2013**

| Cost/Revaluation | Accumulated depreciation |
|------------------|--------------------------|
|                  |                          |

## Appendix B

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**Analysis of property, plant and equipment as at 30 June 2013**

(Registration number MP321)

**Appendix F**

**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 66 of 2003**

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March 2014

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts |           |            |     | Quarterly Expenditure |           |            |           | Grants and Subsidies delayed / withheld | Re delay ng |
|----------------|--|--------------------|-----------|------------|-----|-----------------------|-----------|------------|-----------|---|-------------|
|                |  | Jul                | Oct       | Jan        | Apr | Jul                   | Oct       | Jan        | Apr       |   |             |
| FPG            | National Treasury                          | 50,000             | -         | -          | -   | 768,187               | 150,000   | -          | 479,961   | -                                       | -           |
| MSIG           | National Treasury                          | 90,000             | -         | -          | -   | -                     | 26,347    | 417,824    | 84,308    | -                                       | -           |
| MIG            | National Treasury                          | 00,000             | 3,500,000 | 23,549,000 | -   | 159,210               | 6,296,410 | 16,653,034 | 0,517,415 | 23,075,966                              | -           |
| MEP            | National Treasury                          | 50,000             | 1,350,000 | -          | -   | 808,862               | -         | 679,474    | 540,667   | -                                       | -           |
| EPWP           | National Treasury                          | 00,000             | 300,000   | 300,000    | -   | -                     | 290,708   | 282,827    | 436,907   | -                                       | -           |
| MWIO           | Department of Water Affairs                | 68,000             | 7,171,000 | 4,302,000  | -   | -                     | -         | 260,529    | 1,212,470 | -                                       | -           |
| WSOS           | National Treasury                          | -                  | 2,100,000 | 900,000    | -   | -                     | -         | 1,866,310  | 1,197,114 | -                                       | -           |
|                |  | 58,000             | 1,421,000 | 29,051,000 | -   | 1,756,250             | 5,763,465 | 20,369,998 | 4,468,662 | 23,075,966                              |             |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share